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# China Report

ECONOMIC AFFAIRS

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14 December 1982

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No. 293

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## ECONOMIC MANAGEMENT

### NATION DEVELOPS ECONOMY WITH SPEED, EFFECTIVENESS

Beijing ZHONGGUO CAIMAO BAO in Chinese 26 Oct 82 p 1

[Article by Huang Fushan [7806 1318 1455]: "New Situation Has Emerged Marked by High-Speed Development and Economic Effectiveness"]

[Text] Since the beginning of the year, our industrial and communications fronts have conscientiously implemented the correct guiding thoughts formulated by the national conference on work in the industrial and communications fields. They have shifted the point of emphasis in their economic endeavors to the need of meeting the demands of achieving higher economic benefits and after 9 months of unremitting efforts, have begun to create a new situation marked by the integration of high-speed development and economic effectiveness.

In the first 9 months of this year, the gross value of industrial output increased by 8.6 percent compared to the same period last year. The increase in the output of light and heavy industries has been achieved in a more coordinated manner, it is estimated that the profit tax to be paid by the industrial enterprises will also be increased by 5.7 percent compared to the same period last year. There is a greater variety of products and an improvement in their quality. A change has begun to be made in the situation marked by long years of neglect of economic effectiveness.

The following special features may be noted in the emphasis placed on the integration of high-speed development and economic effectiveness by the industrial and communications fronts:

First, there has been an increase in economic effectiveness in places such as Shanghai, Tianjin, Beijing, Zhejiang and Liaoning which had already achieved a relatively high standard in economics and technology and administration and management, while regions having a weak industrial foundation such as Guangxi, Yunnan, Qinghai and Xinjiang have also achieved an increase in their production and greater economic effectiveness.

Second, the communications departments have made a breakthrough in the use of energy resources which have a controlling effect on economic development. From January to September of this year, the production of coal increased by 8.1 percent, the generation of electric power increased by 6.9 percent,

the volume of freight transported by rail increased by 6.5 percent and the volume of freight carried by vessels under the Ministry of Communications increased by 7.5 percent compared to the same period last year. Considerable progress in the conservation of energy has also been made by the energy production enterprises. According to statistics supplied by the State Statistical Bureau covering 512 key enterprises for the first half of this year, the amount of standard coal saved by the coal, electricity and petroleum departments of the energy production enterprises came to 88 percent of the total saved by the key enterprises. In the first 9 months of this year, profits paid into the national treasury were 12.2 percent over the amount for the same period last year, a rate that was higher than the increase in the volume of freight.

Third, the longstanding situation marked by the excess of production costs over the projected estimates has been reversed, and the number of enterprises which operated in the red as well as the amount of losses have been reduced. From January to September of this year, the production cost of comparable products declined by 0.4 percent compared to the same period last year. Thus, the situation marked by production costs exceeding the estimates over a period of years has been reversed. During the same period, the number of enterprises which suffered losses declined by 10.1 percent, while the amount of losses declined by 5.1 percent.

Fourth, in order to bring prosperity to the market, the light and textile industries have begun shifting their emphasis to increasing the variety and improving the quality of their products. The textile industry has integrated its operations in Shanghai and Changzhou from the procurement of raw materials to the development of new products, organized scientific research projects in Dalian, and shared the experiences it has gained with a view to making a breakthrough in developing products and shortening the trial production period of new products.

The upturn in economic effectiveness for the first 9 months of this year may be attributed to the following policies and measures adopted by the Party Central Committee and the State Council:

First, the stage by stage reorganization of the enterprises. This is an important measure for increasing economic benefits through reorganization. According to statistics covering the first batch of 1,017 enterprises in 28 provinces, municipalities and regions which have been reorganized, the gross value of their products from January to August of this year increased by 10.9 percent and the profit taxes paid to the state increased by 13.5 percent compared to the same period last year, a rate that is higher than the national average.

Second, implementation and perfection of the economic responsibility system. Through the perfection of the economic responsibility system, the Capital Steel Company was able to make considerably higher profits consistently this year. From January to September, the production value increased by 6.2 percent, while profits as well as taxes increased by 25.5 percent compared to the same period last year. Many enterprises, benefitting from the experiences gained by the Capital Steel Company in the perfection of the economic responsibility system, have also started to make higher profits.

Third, adjustment of the volume of production to meet the needs of society. A decision has been made this year by the State Council to limit the production of blended washable cotton textiles and to increase the production of pure cotton fabrics which are in demand in the market so as to achieve a balance between production and sales and to prevent the stockpiling of unsold products. On the basis of market demands, the various areas and departments have also adopted measures with considerable success to reduce the production of textiles which are in ample supply and to increase the production of textiles which are in demand.

Fourth, the adoption of the system of issuing permits for the importation of certain industrial consumer goods to prevent the glutting of the domestic market with goods imported by a number of importers in a blind and haphazard manner.

In addition, the regular publication of economic targets and analysis of economic activities have also served to promote economic effectiveness.

The concerned departments are of the opinion that a basic change has yet to be made to improve economic effectiveness, that we must on no account feel satisfied with the little progress that has been made, we must learn and put into practice the spirit of the 12th CPC National Congress in further improving upon its guiding thoughts and in exerting greater efforts in order to achieve notably higher economic benefits.

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## ECONOMIC MANAGEMENT

### WAYS TO IMPROVE ECONOMIC RESULTS DISCUSSED

Beijing SHANGYE JUAIJI [BUSINESS ACCOUNTING] in Chinese No 10, 10 Oct 82, pp 3-5, 22

[Article by Wang Xing, Yan Muxiong and Liu Qixin: "Measures to Improve Economic Effectiveness of Commercial Enterprises Discussed"]

[Text] Economic effectiveness, generally speaking, is the ratio between cost and benefit in economic activities; at the same time, the socialist economic effectiveness must be the integration of production and circulation, value and use value. Products may enter into the realm of consumption only via the realm of circulation. If products were not needed by the society, or if business was not well done, goods could not be sold and would be kept in stock; no value and use value could be achieved, not speaking of economic effectiveness. Thus, the degree of economic effectiveness of commercial enterprises has a direct influence on production and consumption, as well as the economic effectiveness of the whole society's reproduction process.

To improve economic effectiveness of commercial enterprises, we must, as pre-conditions, expend as little labor and material resources as possible, and sell as many commodities to the society as possible, to satisfy the society's consumption needs. Under these pre-conditions, we must increase, with all the possibilities, commodity circulation, reduce cost to a maximum degree, save expenditure, and avoid losses and waste, so that commodities can enter via circulation the territory of consumption in the shortest time and at the fullest speed; the management and control will be in the best state, and the utmost economic effectiveness will be attained.

Since the Third Plenum of the 11th Party Central Committee, the commercial front has constantly been correcting the "leftist" mistakes, and carrying out the readjustment policy; economic effectiveness has increased. However, economic effectiveness as a whole is still low; there is a lot of potential to be exploited. For example, if the commercial enterprises in Hunan Province could increase commodity circulation volume by 1 percent, we could increase in one year 3 million yuan in profit, 0.9-1.8 million yuan in tax revenue. If we could reduce the scope of commodity circulation cost by 1 percent, we could save expenses and in one year increase 4 million yuan in profit. If the total working capital could turn over one day faster, we could take 20 million yuan less from the capital in one year, save 1.4 million



yuan in interests payment, reduce proper waste by 10 percent, and increase 2 million yuan in profit. Thus, we are facing an important task: to seek and study measures to improve economic effectiveness of our commercial enterprises. Based on the current situation of the commercial enterprises, we are of the opinion that we must concentrate on the following 10 tasks:

1. Continue to eliminate the "leftist" influence, establish the concept of economic effectiveness.

The "leftist" ideology has caused great damage in the field of commodity circulation, which was mainly shown in the guiding ideology that emphasizes production, neglects circulation, pursues production value and sales amount, neglects consumers' needs. Their business activities are blindly handled; their accounting is not stressed; the results are great loss and waste and influence, establish the concept of economic effectiveness. We must launch, among the vast workers, the education of "one policy," "two services," "three viewpoints," and "four principles," adhering to the policy with primary emphasis on planned economy and next on market regulation. We must increase planning in macroeconomics, and activities within limits of division of labor and the regulations. Policy of supply has to be carried out; management direction has to be corrected; rules and regulations must be established and perfected, and loopholes stopped up. Only with all these steps taken can we reach our goal: the improvement of economic effectiveness.

2. Vigorously expand the purchase and sales of commodities.

The essence of improving economic effectiveness in commercial enterprises is to expand the purchase and sales of commodities. In recent years, under the circumstances of multi-channel circulation the absolute net total sales of our Province's state-operated commercial enterprises have been growing, yet the scope of growth has been decreasing year by year. In 1981, the net aggregate sales of commodities reached a record high, but the scope increased only 4.5 percent, the lowest in recent years. So if we base our calculation on the average progressive growth rate of the past 3 years, that is 13.5 percent, the net aggregate sales were 500 million yuan less. Besides certain objective reasons, the main existing subjective reasons for the increased aggregate sales on the one hand and the decreased scope on the other hand are: the new circumstances are not fully understood; the work of sales promotion is not well done; the measures taken are ineffective; the colors and varieties of commodities are not appropriate; and there are problems with service quality and service attitude, etc. In order to expand commodity sales, we must, first of all, subjectively make efforts to develop potential from within the enterprises, only then will there be an outlet.

Purchasing of commodities is the material basis of commodity sales; selling is the purpose of purchasing. So in order to increase commodity sales, we must begin with purchasing of goods suitable for the sales' needs, and lay down the basis for promoting commodity sales. For this purpose especially we must forcefully develop a "Five-member joint review," planned procurement and contract system, etc. We must pay close attention to market trends, forecast market changes, react to them in time and with flexibility. We must

control firmly the check points of quantity, quality, specification, variety, color, and price, etc.; support actively production units in developing consumer goods according to the needs; arrange to have suitable, good quality and low price goods sent to the market, and achieve excellence in quality, novelty in color and variety, and low price.

To promote sales, wholesale enterprises must put emphasis on the market, actively take the initiative to introduce commodities to branch wholesale and retail units, make things easy for them, organize them to promote sales of commodities that have large quantities in stock, help them solve problems in sales, so that wholesale enterprises have goods to give, the retailers have goods to sell, the warehouses are filled with goods, and the stores are filled with goods for sale. In sales' work we must stress store management, hold supply meetings and sales shows, bring sample goods to the rural areas, establish liaison salesperson system, consign contract sales, commission sales, second-hand and subsidiary sales. We can deliver certain commodities in advance, accept payments in installments, develop discount rates, and lower the wholesale minimum, etc. In addition, to accommodate customers, we must take sales promotion measures, such as door-to-door sales, home delivery services, etc.

The rural areas are the largest market for industrial goods. In order to promote sales, we must follow the State Council's "Policy on clearing commodity circulation channels between cities and rural areas, supplying more industrial goods to the rural areas," establish various flexible management forms to improve the supply of our rural areas.

3. Improve the stock structure, reduce settling accounts, speed up capital turnover, and increase use effectiveness of the capital.

The speed of capital turnover or the degree of its use effectiveness is one of the important indicators for measuring economic effectiveness of enterprises. At present the speed of capital turnover in commercial enterprises has slowed down. The main reason is that the growth range of the working capital make-up, the most outstanding are the accumulating goods kept in stock and the settling accounts, part of this is abnormal. We must pay serious attention to the situation that goods become less while dead stocks are increasing. In the province, in the six years from 1976 to 1981, the Central Committee had handled "problem goods" worth more than 600 million yuan, an average 100 million yuan each year. Until May, there had still been 370 million yuan of these goods, 20 percent of the total amount of goods in stock, with an estimated loss worth 60-70 million yuan. In 1981, the proportion of settling accounts in the total working capital was 50 percent more than in a normal year. The main causes are that the enterprises have taken the working capital from each other; employees misappropriated public funds; unsettled accounts and cases grew; and in some enterprises the internal communication slackened; inspection was not seriously carried out; business accounting was not done thoroughly; and business was handled in a sloppy way. Especially, the time for sales and transportation of goods was too long, collection for payments for goods was not on time, thus the growth rate of settling accounts was 2.17 times more than that of sales.

Concluding from the above mentioned situation, we must make efforts in two areas to speed up capital turnover: improving stock structure and reducing the proportion of the settling accounts. We must face the reality, investigate, list and analyze problems of irrational stock structure in key enterprises and key transactions, make decisions on what varieties and quantities are to be cut down, and put them in full effect. At present we must forcefully solve the problems of stocked goods, like polyester material, chemical fibre, cotton-yarn socks, nylon stockings, transistor radios and cigarettes. We should also transfer more capital to business, and better organize market supply. At the same time, we must forcefully cut down irrational proportion of settling accounts. The emphasis should be placed on "commissioning to banks to collect the price of goods on behalf of the sellers," "accounts receivables" and "outstanding accounts receivables," to speed up payment collection, reduce the number of days for collection, settle the recovered accounts receivable. If our province could cut down the proportion of settling accounts from 5.70 percent to 3.72 percent which was the percentage three years ago, 70 million yuan of capital could be transferred for capital turnover.

#### 4. Improve transportation of commodities

This is now the main target to reduce commodity circulation cost and decrease property loss. In 1981, the transportation cost for commodities in our province took up 31 percent of the total commodity circulation expenditure. Due to bad management, the value of property loss has reached 14.77 million yuan. There are severe problems, such as commodity shipping by roundabout routes, shipping to or receiving from wrong places, and large number of goods awaiting shipping, etc. We must emphasize the following five tasks: one, organize commodity circulation according to economic areas, plan rationally commodity circulation, select proper shipping routes and vehicles, fully utilize our transportation tools, and economize, to a maximum degree, the transportation capacity; two, concentrate on the goods that have been awaiting shipping for a long time three, strengthen the inspecting system at the time of receiving goods; four, safekeep the goods in accordance with the related regulations; five forcefully retrieve packaging materials to increase the re-utilization rate of those materials.

#### 5. Improve managing responsibility system.

Since the active and prudent experiment of the management responsibility system in our province, we have taken the first step to change the situation of excessive control and rigid grip on enterprises and have achieved good results for the country, the enterprises and the employees. However, there are some problems. Some enterprises, in reviewing their management achievements, emphasize one-sidedly profit, neglect other things; they stress how much of a bonus to give the workers, but neglect the ideological and political work. This has led to an "eyeing money" trend: Work a lot if there is a lot of profit, work less if there is less profit, and work none if there is no profit. They forget that the basic task of socialist commerce is to serve the people. Therefore, we must follow up thoroughly to see whether the enterprises are following properly the policies and whether they are improving their management direction, quality in service, service attitude, and whether they are

fulfilling every target in their plan. We must not overemphasize the one target: profit. With promotion and improvement of managing responsibility system, we must, at the same time, strengthen ideological and political work among the employees, correct the improper "eyeing money" ideology, educate the employees to handle properly the interests between the country, the enterprises and themselves, and fully mobilize the employees' initiatives, activeness and inventiveness.

6. Consolidate the finances of the enterprises and tighten up discipline in finance and economy.

We must focus enough attention on strengthening the finance and accounting system, reinforcing financial control and tightening discipline in financial administration. These are important measures to consolidate our enterprises, exploit the inner potential and increase economic effectiveness. We must, aiming directly at some of the current problems, such as some enterprises' unclear accounts, inaccurate books, property in disorder, unrealistic cost, excessive loss and waste, and loose cash management, etc., forcefully reorganize and strengthen basic bookkeeping work, periodically carry out comprehensive inspection of the finances, tighten up discipline in financial administration and fill the gaps and holes.

7. Produce use effectiveness of profit reserve fund and renewal and convert capital.

The profit reserve fund and renewal and convert capital in our province's commercial network have reached in one year more than 100 million yuan, but only 30-40 thousand yuan, on an average, is distributed to each of the 4,500 or so enterprises throughout the province, with which nothing can be done. On the one hand, some enterprises have urgent needs to solve their lack of warehouses and residence halls and great difficulties in technical reorganization, on the other hand, others suffer from snags in their projects, money that should be spent is not spent, as their projects in process are unable to produce investment effectiveness because of lengthy turnover and slow progress. In order to solve the conflict between centralization and decentralization, and improve use effectiveness of the two kinds of capital, we must first take proper measures to flexibly allocate the unused and scattered capital, concentrating our strength on a battle of annihilation. Second, we must assign specific personnel for the projects in process, overcome wastefulness in projects under construction. Thirdly, we must implement the economic contract system in all projects, in order to shorten as much as possible the time limit for the projects, and to make them available for use as early as possible.

8. Adhere to business accounting by the masses, promote norm system, and establish sound personal responsibility system.

Business accounting by the masses is one of the forms of the masses' participation in enterprise management and is the basis of business accounting

of the enterprises. In order to coordinate every department and every chain of an enterprise, fully and rationally utilize manpower, material and financial resources, we must establish sound personal responsibility system, specify the employees' responsibilities in their posts, their duties, the requirements in quality and quantity, etc., so that each employee know his/her ability, so everything will be taken care of and everyone has his/her own responsibility. Besides reliance on the masses of control the enterprises, we must also develop mass accounting. For example, the third-level wholesale and retail units, catering services, cargo and ship teams may handle norm control and group-and section-accounting, or accounting per cargo or ship. The second-level wholesale enterprises' accounting may be done by department; the processing factories may have 2-level factory and workshop accounting. Larger enterprises may have 3-level accounting; certain non-staple food processing companies may do accounting by product. There should be standards for accounting, any reward and disciplinary action should have basis, so that effectiveness and quality can be achieved.

9. Strengthen reward control, develop correct relationship between the country, the enterprise and the individual.

A reward is a supplement to "each according to his work." Appropriate use of the reward system can further mobilize employees' activeness, improve enterprise management, and increase economic effectiveness. Our commercial enterprises therefore must follow firmly the State Council's "Several stipulations on carrying out properly the reward system and firmly rejecting excessive use of rewards." First, a reward must result from carrying out the policies and from improved service quality; and should be job-related (such as amount of sales, amount of profit, level of cost, speed of capital turnover). Second, honorary commendations should be combined with material reward. Third, the calculation and distribution of rewards must be based on a set of scientific, comprehensive review norm system, which manifests the principle of "to each according to one's work," as to prevent, on the one hand, the tendency that employees within a sales department or section neglect the collective tasks for the sake of individual rewards.

10. Concentrate on employees' education, improve the employees' quality.

Effective education of employees is a significant strategic measure to improve the quality of our commercial employees. In 1981 there were more than 230,000 employees in our Province's commercial enterprises (including the 40 thousand collective workers of Hungang), 26 percent of them had less than elementary school education, and only 2.43 percent of them had university, high school or vocational school education. Though 71.25 percent of the employees had had senior or junior middle school education, many of them graduated during the ten-year internal tumult; in fact, the level of their education was very low. So we must educate and train, in a planned way, all current cadres and employees. The emphasis should be placed on the training of leading cadres and make-up courses in education and technology should be offered to young and adult employees. We must consider especially the building of a leadership group and training of key members as our priority, and turn the results of the education to economic effectiveness. This will certainly have a great impact on the improvement of economic effectiveness of our commercial enterprises.

## ECONOMIC MANAGEMENT

### CONFERENCE ON OVERALL REORGANIZATION OF ENTERPRISES HELD

Nanjing XINHUA RIBAO in Chinese 9 Oct 82 p 1

Article: "Comrade Gu Xiulian [7357 4423 557] Presents Demands to Provincial Enterprise Reorganization Work Conference; Thoroughly Begin Comprehensive Enterprise Reorganization Work; Ultimately Build Socialist Modernized Enterprises Which Have a High Degree of Culture and Chinese Characteristics"

Text: "Under the guidance of the spirit of the 12th Party Congress and in line with the "Resolution on Carrying Out Comprehensive Reorganization of State Run Industry and Enterprises" of the party Central Committee and the State Council we should definitely summarize experience, overcome inadequacies, unremittingly, solidly and steadily work to begin comprehensive reorganization of enterprises and strive to build enterprises into a firm position suited to the creation overall of a new situation in the four modernizations." Gu Xiulian, provincial party committee secretary, made this demand in a speech on the 8th at the Provincial Enterprise Reorganization Work Conference.

The Provincial Enterprise Reorganization Work Conference began on the 6th and is being held in Nanjing. This is an important conference convened by the provincial party committee and the provincial government. Comrade Gu Xiulian gave a speech at the conference as a representative of the provincial party committee and the provincial government.

When discussing the important significance of comprehensive reorganization of enterprises, Gu Xiulian said that the ultimate aim of this constructive reorganization is to build enterprises into socialist modernized enterprises which have a high degree of material culture, a high degree of spiritual culture, and Chinese characteristics.

She said that Jiangsu's enterprise reorganization work should start with resolving important contradictions in enterprises and proceed to comprehensive reorganization and comprehensive administration. In specific terms, this means the party Central Committee's stress centering on improving economic results, doing the "Five Tasks," improving the "Three Constructions" to achieve the "Six Good Demands." The stress of reorganization is placed on improving economic results.

Reorganizing and building good leadership teams should really be made the key to enterprise reorganization. Reorganization and building good leadership teams in the spirit of the 12th Party Congress is mainly courageously choosing the best young cadres, safely doing work to have old cadres retire to second and third echelons, and correctly bringing about the cooperation and replacement of new and old cadres.

Gu Xiulian then discussed 5 views regarding how enterprises should begin by resolving important contradictions in order of importance and urgency and reorganize them in order of importance and in a measured way:

1. Reorganize and improve the economic responsibility system. At present we should stress establishing a sound system of personal responsibility, strengthen technological management, equipment management, and technical operations management, strengthen original records, calculations, testing, statistical and accounting work, formulate and improve quotas, strengthen standardization work, establish scientific and technological files, establish sound and improved rules and regulations, and strengthen team and group building to make the economic responsibility system a powerful motivating force for various work in enterprises.
2. Under the guidance of the state plan, it is necessary to carry out comprehensive plan management within the enterprises, basing production, technology, sales, and financial affairs in each person and each position. At the same time, they should continue to promote comprehensive quality control and comprehensive economic accounting to guarantee increasing varieties, improving quality, lowering costs, increasing profits, and realizing comprehensive economic results. Financial and trade enterprises should also make rectifying managerial thinking and improving the quality of service an important part of reorganization, firmly establish a political viewpoint, production viewpoint, and mass viewpoint, better to serve production and the people's standard of living. In particular, now we should open channels and organize to move industrial goods to the rural areas and resolve prominent problems in developing cultural trade.
3. We must make reorganization of labor organization an important link in improving enterprise economic results and, in the spirit of daring to do the difficult, gradually resolve this "long standing" problem. Reorganization of labor organization should be carried out in combination with establishing a system of personal responsibility and on the basis of production skills, and professional work should establish qualitative and quantitative standards for allocating personnel gradually to reach the point where personnel are allocated strictly on the basis of qualifications. Economizing with the greatest limitations on labor will increase the vitality of enterprises.
4. Reorganize financial discipline and strengthen finances and accounting work. We should correct the tendency to neglect finance and accounting work, strengthen finance and accounting work and improve the level of financial management. We should implement financial principles, policies, laws and discipline; we should achieve the six demands put forth by the Ministry of Finance within a set time; we must continue to stress attacking serious crime in the economic area and attack the practice which is revealed in

crime in the economic area and attack the problems which are revealed in this struggle, make the rules and regulations sound, be strict with enterprise management, and adopt precautionary measures and plug loopholes.

5. Build a socialist spiritual culture and strengthen ideological and political work. At present we should conscientiously study the documents of the 12th Party Congress and implement the spirit of the 12th Party Congress. Through a variety of forms we should begin ideals education, ethical education, discipline education and scientific cultural education. We should conscientiously carry out training of all personnel to raise the political, technological, cultural and professional quality of the broad employees.

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## ECONOMIC MANAGEMENT

### IMPORTANCE OF ECONOMIC CONSULTING SERVICES STRESSED

Beijing ZHONGGUO CAIMAO BAO in Chinese 27 Jul 82 p 2

[Article: "Utilize the Role of the Brain Trust and Make a Success of Consulting Services"]

[Text] Developing economic consulting services is a new way for the civilian construction and industrial-commercial associations (referred to below as the "two organizations") at all levels to serve the four modernizations and an effective form by which they can bring their capabilities into play in the service of the four modernizations in keeping with the characteristics of their personnel. In recent years these two organizations have set up various types of consulting services in 62 locations including Beijing, Tianjin and Shanghai; the ranks of their consultants have expanded steadily and the range of the topics on which they have provided consultations has grown; they have already had outstanding achievements and made good use of the economic brain trust in such areas as economic policy, economic functions, management, resource development, energy conservation, comprehensive utilization, exploitation of wastes, readjustment of commercial networks, stimulation of markets, market development, increasing rural employment, elimination of overstocks, accelerated capital turnover, development of foreign trade, improvement of financial management, examination and verification of capital construction expenditures, specialized training of young workers, developing the economies of minority regions, and upgrading enterprise production technology. Recently these two organizations held an experience-exchange conference on economic consulting work in Beijing at which they examined and exchanged results and experience in these areas and investigated problems, in order to lay the groundwork for more aware, systematic, effective economic consultation work in the future.

The various departments on our economic front must accord full importance and give energetic support to economic consultation activities. The key is the raising of consciousness and the overcoming of "left" ideological influences. We must realize that economic consulting work is an objective need in the development of our country's national economy. In order to make our national economy develop stably, healthily and consistently, we must both borrow from the experience of foreign countries and summarize

and learn from the experience of our own people. The Chinese national bourgeoisie left us two legacies. The first is the enterprise, and we have had some success in utilizing, regulating and reforming it. The other is this pool of talent. Many personnel of the two organizations have accumulated a considerable wealth of experience in management activity and in running enterprises, conducting business and engaging in foreign trade; they have the ability to make careful calculations and pursue strict budgeting and to build up business under difficult conditions, in addition to which many of them are experts with much practical experience. They have experience not only in the operation of privately-managed enterprises, but also in the running of the socialist enterprise; they are an important national treasure and an important force for building socialism. Particularly commendable is their fervent patriotism and their burning sense of selfless dedication to the country and their willingness to put their abilities and experience at the service of the four modernizations. In the past, following the victorious socialist transformation of private industry and commerce, because of the interference and influence of the "left" these persons were not used effectively, which must be considered to have been a loss.

Since the Third Plenary Session, the party Central Committee has implemented relevant policies and clearly proclaimed that the great majority of the former industrialists and merchants have been remade into workers who live by their own efforts. The comrades in our economic departments, and particularly leadership comrades, should establish comradely, cooperative relationships with the personnel of these two organizations, have confidence in them, boldly give them free rein, and actively support them in their economic consultation activities, help them solve the various difficulties of their work, give them consulting topics, and create the conditions for utilizing their abilities. They must learn how to use the brain trust organizations for better economic work; they must treat them cordially because our objectives are identical, namely to wage a unified struggle for realization of the four modernizations.

The members of the two organizations must further liberate their thinking, overcome hesitancy, concentrate on studying the new situation, investigate new methods, solve new problems, and provide positive, initiative-taking, locally appropriate, in-depth consulting services, and focus their services on improving management in relation to the key matter of improving economic effectiveness. At the experience-exchange meeting, many representatives declared with patriotic fervor that they wished to leave their tracks on the road to the four modernizations, give a good historical account of themselves, and set a good example for coming generations, thus expressing the common sentiment of the 100,000 members of the two organizations. We wish this brain trust success in their further economic work in the anticipation that they will give of their knowledge, experience and skill and will achieve even greater things in their consulting services.

8480

CSO: 4006/592

## ECONOMIC MANAGEMENT

### ACCELERATION OF PRODUCT RENEWAL, REPLACEMENT URGED

Beijing ZHONGGUO CAIMAO BAO (China Finance and Trade) in Chinese 20 Oct 82 p 1

[Interview with official from the Ministry of Machine Building by reporter from JIXIE ZHOUBAO (Machine Building Weekly): "Improve Socio-economic Benefits and Accelerate the Renewal Rate of Products"]

[Text] Question: The State Economic Council and the Ministry of Machine Building have jointly published the first lists of old products that are obsolete, inefficient and energy consuming. They have also published the first set of lists recommending energy saving products. What is the significance of this?

Answer: Energy conservation is a major principle of our country in developing our national economy. Improving old products that waste energy and have poor performance while developing new reliable products that have advanced performance and use little energy are the major tasks of the machine building industry. At the present time, a fair number of electrical and mechanical products waste energy, perform poorly and are inefficient. The list of 16 obsolete products are the most conspicuous of these products. It is essential to resolutely eliminate their use within a fixed period of time.

In recent years, many enterprises have successfully trial-produced and processed in batches energy saving products that are more advanced and efficient. They have created conditions for eliminating products with high energy consumption. Obsolete energy consuming products are advantageous to improving the economic benefits of society, and can spur on other enterprises that produce outdated energy wasting products to accelerate the renewal and replacement of products.

Question: How should enterprises that produce these obsolete products implement this measure?

Answer: Of the 16 obsolete products specified, all production enterprises should immediately cease putting materials into production for 14 of these products starting on 1 January 1983. Products assembled prior to 1 January 1983 are permitted to leave the plant. Of these, aside from some equipment used for maintenance, all production of the J03 series of electrical machinery must cease on 1 January 1984 and all production of the J02 series must

cease on 1 January 1985. In this way, some enterprises that produce obsolete products specified in these lists will be faced with certain temporary difficulties, however, it will increase the economic benefits of society. This is the bound duty of our machine building industry. We must consider the overall situation and resolutely implement this.

Question: Can enterprises that used to manufacture obsolete products shift production to the newly recommended energy saving products?

Answer: The 40 recommended energy saving products are the positive results attained by the hard work of manufacturing units. When planning production, we should first consider these enterprises so as to inspire their enthusiasm for preparing and manufacturing energy saving products. In order to ensure the quality of energy saving products, enterprises that used to produce obsolete products must alter production to produce the recommended products. They must get the consent of the concerned special bureau in the Ministry of Machine Building. We must steadily expand the production quotas in qualified enterprises that can ensure product quality for energy saving products in great demand which the trial manufacture enterprises are not equipped to handle.

Question: Are the prices of the 40 recommended energy saving products higher than the similar older products? How should this be handled?

Answer: There are several conditions involved here. (1) After some products were improved there were no changes or very little change in the price of the product as with the CALOC Liberation automobile, the NJ-134 model automobile and the 9-19 series of high pressure centrifugal ventilators. (2) The price of some new products is somewhat higher than the old. However, they are more efficient so that in a year or even three months you can get back the cost of the changeover from the savings in energy consumption as with the nitrogen fertilizer centrifugal ventilator. (3) Due to the high cost of manufacture, a change in materials and the relatively small amount of current production, a small number of products have substantially increased in price. As the quantity produced increases and as production enterprises continue to perfect management and reduce costs, the prices will steadily be readjusted.

Question: There are some consumers who today still use obsolete products. What are they to do about spare parts and replacements?

Answer: Our machine building industry must support the principle of wholeheartedly serving our consumers. There are some consumers who temporarily cannot replace old products. We must organize production supplies of the fittings needed for the obsolete products they are using within a reasonable time. Machine building enterprises must actively push the new recommended energy saving products. They are responsible for helping consumers focus on improving social and economic benefits, actively employ energy saving products and replace poor quality old products.

Question: How long can production continue on non-obsolete old products that can be replaced by new energy saving products?

Answer: Beginning in 1983, production of non-obsolete old products that can now be replaced by new products such as the Sh waterpump, the FE25D textile axial ventilator, the transformer produced according to the JB1300-73 standard and the original BJ212, BJ130 and EQ140 engines must gradually be cut back in a planned way. We must increase the production of recommended products and strive to fully halt production of old products by the end of 1985 and replace them with new products.

Question: In order to implement this measure, what other things should we concentrate on?

Answer: The document which was jointly issued by the State Economic Council and the Ministry of Machine Building is a document of rules and regulations. It is an effective measure for carrying out planned guidance and administrative intervention. Due to the large quantity and broad scope of these obsolete products, this involves work in various areas. Thus it is necessary for concerned machine building enterprises to resolutely implement these two documents. Support and coordination are also essential in every area. We particularly expect support from consumers and hope that they will actively employ energy saving products. Furthermore, we also hope that banking and legal offices will support this work and supervise production enterprises in carrying out the specifications in the document. All contracts for obsolete products that were signed after the cutoff date have no legal binding force. We hope that propaganda departments will no longer promulgate the production of obsolete products and that those involved with advertising will no longer publish advertisements for obsolete products. From now on, planning offices at all levels in the machine building industry are, without exception, not permitted to plan the production of obsolete products. Enterprises that produce energy saving products must conscientiously guarantee the quality of their products and do good work in publicizing and promoting them. Authorized research institutes and manufacturing plants must conduct training classes on utilization, operation and maintenance. They must do good work in technical service. From now on, when printing product sample books and advertising the 40 energy saving products specified and recommended in this document, we may indicate that they are "energy saving products recommended by the State Economic Council and the Ministry of Machine Building" so that consumers can pick out and buy top quality goods.

9864

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## FINANCE AND BANKING

### JIANGSU COMMUNE MEMBERS' INCOME REACHES NEW LEVELS

Nanjing XINHUA RIBAO in Chinese 13 Aug 82 p 1

[Article: "Cash Income of This Province's Commune Members Reaches Record Levels in First Half-Year"]

[Text] An account survey of the cash income of 1,000 peasant households in 71 localities in 22 counties made by the province statistical office has shown that in the first half-year the cash income of this province's commune members has increased by 38 percent over the same period last year and that the average per capita cash income has risen by 30.10 yuan to 109.30 yuan, 1.3 times the commune members' cash income for the whole of 1978, constituting a new record.

The survey data show that because of implementation of the various rural economic policies and the stress laid on prosperity through labor, commune members' cash income in the first half-year from both collective and family sideline sources has increased considerably. The average per-capita income obtained from the collectives in the first half-year was 37.80 yuan, up 39 percent from the same period last year, while the income from sales of sideline products was 47.60 yuan, up 38.8 percent from the same period last year. On the average a commune member sold 18 jin, 2 liang of grain from "private" plots, fodder plots and excess above contracted output, an increase of 91.4 percent over the same period last year; sales of oil crops were up by 2.6 times from the figure for the whole of last year. In recent years commune family income from handicrafts and transport labor has been increasing rather rapidly; in the first half-year the average per-capita value was 11.30 yuan, up nearly 80 percent from the same period last year.

The survey also shows that the increase in commune members' outlays for the purchase of the means of production has been more rapid than the increase in outlays for the purchase of the means of subsistence. In the first half-year, the average per-capita outlay of commune member households for the means of production was 22.40 yuan, 68.4 percent higher than the same period last year, a greater increase than the 21.7 percent rise in outlays on means of subsistence.

The average per-capita living expense outlay in the households surveyed was 80.9 yuan, up 21.7 percent from the same period last year. Large increases

were posted by outlays on housing and miscellaneous expenses, which were up by 29 and 28 percent respectively from the same period last year. There was a rather large increase in commune members' purchases of durable consumer goods. It is forecast that the commune members' needs for means of subsistence and various consumer goods will continue to increase in the autumn and afterwards, and the mass of commune members earnestly hope that the commercial departments will be able to organize the supplying of more cheap, attractive, in-demand manufactured products to rural markets.

8480

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## FINANCE AND BANKING

### BRIEFS

STATE TREASURY BONDS--By yesterday, payments on state treasury bonds in our province amounted to 235,590,000 yuan. This is 6.6 percent over this year's quota assigned to our province by the state for state treasury bonds. Units paid 132,830,000 yuan which is 9.9 percent above quota. Individuals paid 102,760,000 yuan which is 2.8 percent above quota. The extent of overfulfillment in Xuzhou Prefecture and Lianyungang Municipality is over 15 percent. The various organs, groups, enterprises and public agencies throughout the province and the broad masses of cadres, employees and peasants were eager to purchase state treasury bonds and to help the national establishment of the four modernizations. Quite a few advance units and model personages came to the fore. At present, all areas are organizing their strength to focus on doing good work in replacing certificates on individual subscriptions for state treasury bonds so as to ensure that individuals receive state treasury bonds issued by the state [text] [Nanjing XINHUA RIBAO in Chinese 17 Oct 82 p 1] 9864

NEW LOAN TYPE--Recently the [Liaoning] province People's Bank announced to second- and third-level wholesale outlets, state-run retail outlets (including collective commerce responsible to the state commercial organizations) and rural supply and marketing collectives' commercial organizations that it would issue "fixed-period note" discount loans. State-run retail outlets and rural supply and marketing cooperatives may receive fixed-period loans to replenish their supplies of overstocked commodities from the wholesale departments; the bank will release fixed-period note discount loans to the wholesale departments on the basis of fixed-period notes. These loans were established in view of the fact that the commercial departments provincewide have serious commodity overstocks, there are difficulties getting the commodities to the lower levels, commodities saleable in the countryside are stuck in the cities, and the basic-level supply and marketing cooperatives lack funds to replenish their stocks. [Text] [Shenyang LIAONING RIBAO in Chinese 5 Jul 82 p 1] 8480

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## INDUSTRY

### STATUS, PROSPECTS OF ALLOY STEELS PRODUCTION EXAMINED

Beijing GANGTIE [IRON AND STEEL] in Chinese No 7, Jul 1982 pp 1-7

[Article by Lu Da [7120 6671], Ministry of the Metallurgical Industry:  
"Current Status and Prospects of Alloy Steel Production in China"]

[Text] I. An Increasingly Important Role for Alloy Steels in the Four Modernizations

Alloy steels are steels containing one or more alloy elements in suitable quantities and having improved or special characteristics. The addition of a certain quantity of an alloy element, sometimes even a minute quantity, to control its structure, can fully bring out the inherent capabilities of iron, can greatly alter the strength of the resulting steel, and may also give the steel characteristics which it originally lacked, such as corrosion resistance, wear resistance and high-temperature capabilities, thus further increasing its range of applications and making possible the use of many modern techniques. Because of these advantages of alloy steels, their suitable use can increase the efficiency and life of machinery and equipment, save resources and energy, save on machine building investments and produce real improvements in economic performance.

Since the founding of New China, our production of and research on alloy steels, which were once completely nonexistent, have undergone great development, so that today not only do all of the principal ordinary steel mills have some capability for producing low-alloy steels and some alloy steels, but in addition the six large administrative regions have developed independent special steel mills as bases for alloy steel production. In 1949 our country produced only 2,000-3,000 tons of alloy steel, and in 1952 the output was only 25,000 tons, while in 1979 a high of 2.5 million tons was reached. Development of low-alloy steels began in 1957, and by 1980 output had reached more than 3 million tons. There are now more than 600 varieties of alloy steel, including a full range of varieties for sheet and plate, piping, wire, strip and shaped sections. There are more than 100 varieties of low-alloy steel. The quality of some high-speed steels, bearing steels, drill steels, cold rolled stainless steel plate, small-diameter geological pipe, low-alloy steel ribbed reinforcing rod and the like are already equal to or close to advanced international standards. Some 69 alloy and low-alloy steel products have already been recognized as national or ministry top-quality products. During the a

the readjustment of the national economy, the alloy steel requirements of the previous main consumers decreased rather considerably, while the development of new markets has just begun, so that in the past 2 years output of alloy steel has decreased. During the readjustment, the various enterprises have been actively rearranging the focus of the services they provide, energetically readjusting their product mixes, improving product quality, increasing the number of steel varieties, and expanding their services to include agriculture, light industry, municipal construction, export and technical reform of all departments of the national economy, and as a result the picture for alloy steels is a flourishing one. We may say that the readjustment of the national economy has brought the alloy steel production and research into a wider world, promoting their development and leading to new achievements.

A. In support of technical reform and equipment replacement in the various departments of the national economy, new high-strength, corrosion-resistant, high-temperature steels have been developed and produced. For example, the cooling towers which the chemical plants use in the production of soda ash are subject to severe corrosion from chloride ion in sea water, so that piping life is only a half year; a molybdenum-containing ultra low-carbon stainless steel pipe has been successfully trial produced, and when the pipe was removed from a cooling tower after 400 days' service and sectioned for examination, no pitting was found, its mechanical properties were good and it had good scouring resistance, so that its use will help increase soda ash output, improve its quality and decrease its production cost. In addition, many types of equipment and assemblies which had always required imported materials are now supplied domestically. The guide rollers of textile machines are subject to stringent requirements as regards surface finish, and these always had to be imported in the past, but now they are being experimentally produced and supplied in this country. Sheet steel for pressure molds in the production of synthetic fibers is subject to stringent requirements as regards [geometry] and [camber]; it is now being supplied in lots, thus decreasing the quantity imported. The valve steels used to make the exhaust valves of automotive and marine internal combustion engines and the intake valves of heavy-duty engines must have excellent thermo plasticity, high-temperature strength and corrosion resistance; in the past these steels were almost all imported, but after several years' energetic effort steels of this type with qualities approaching those of the imported products are being produced in sufficient quantities for this country's needs, thus saving the country large amounts of foreign exchange.

B. Several economical, widely-applicable alloy steels have been produced for light industry and consumer goods. For example, special stainless steel sheet experimentally produced for washing machines is now being used on a trial basis in washing machine plants. Washing machine timer springs were always imported, but after a major effort timer springs began to be produced directly from spring strip, and fatigue tests indicate that their service life is equivalent to that of foreign products. In addition, stainless steel is being furnished to bicycle plants for spokes, chain guards and mudguards, allowing the production of attractively styled bicycles.

C. New materials and new varieties have been provided to various industries for product upgrading and modernization. When the Yangtze River Bridge at

Wuhan was built in 1950's, ordinary carbon steel was used; because of its low strength and span length was only 128 m. In the 1960's when the Yangtze River Bridge at Nanjing was built, Anshan Steel Mill's 16Mn steel was used; the arch span was increased to 160 m. In the 1970's the Anshan Steel Mill also developed the experimental 15MnVN steel, with a strength of 10 kgf/mm<sup>2</sup>, higher than that of 16 Mn steel, which was up to international standards for bridge building steel; this steel is planned for use in building the large-span Yangtze River Bridge at Jiujiang. The low-alloy medium-molybdenum steel rail now in production, which has been used on large-radius curves and straight sections, has a wear resistance about twice that of carbon steel; high-silicon steel rail used in small-radius curves has a service life about 3 times as long as carbon steel; rare-earth alloy steel track has been used on a trial basis in small-radius curves for 5 years (and is still in use), and has a service life more than twice that of carbon steel. The 60Si 2Mn steel which was always used in domestically produced automotive springs had a short service life; now the new variety 55SiMnVB has been developed and the spring shape has been changed to the single-face double-slot leaf type, increasing the service life to more than 70,000 km and saving 10 percent in metal.

D. Alloy steel quality has been improved, to the benefit of mechanical and other products. The quality of domestically-produced high-speed tool steels used to be poor, and large quantities of these steels had to be imported. As a result of a joint effort by the Dalian Iron and Steel Mill and the Beijing General Research Institute of Iron and Steel, M2 high-speed steel with a quality equivalent to international standards has begun to be produced. Last year our country no longer imported high-speed steel to produce cutting tools and boring tools for export. Out-of-furnace refining, vacuum degassing in-ladle powder injection, protective nitrogen annealing and other measures are now used in the production of bearing steel, leading to a marked improvement in quality, and the bearing steels now being supplied are used to produce bearings for export. The carbon equivalent elongation, and yield strength of second-class domestically produced reinforcing rod for construction meets British reinforcing rod standards, and last year it was exported to Southeast Asia and Hong Kong.

Thus it is apparent that alloy steel production and research in this country are continuously progressing and improving in the service of the various departments of the national economy and national defense construction. This year, as the readjustment of the national economy proceeds and the immense undertaking of the four modernizations develops, demand for alloy steels will increase continually and they will make their presence felt in all areas: alloy steels have great potential.

## II. Energetically Increasing the Proportion of Alloy Steels

During the last 2 years of readjustment, the path of alloy steels has widened more and more, and the overall production and research situation is good. But there are still many problems in our work. There still exist major contradictions, which express themselves in concentrated form in an incomplete selection of varieties, poor quality of certain products, and high production costs. During the Sixth Five-Year Plan our main tasks are to improve quality, expand the selection of varieties and decrease production costs, strive to make alloy

steels suitable to their markets, and to make them attractive and cheap. Only by doing this can we carry out the assignment of "increasing the proportion of alloy steels in the metallurgical industry."

Increasing the proportion of alloy steels is a major strategic policy for developing the economy, strengthening national defense and improving economic performance. Many of the guidelines on economic construction adopted at the Fourth Session of the Fifth National People's Congress had a close connection with alloy steels. For example, the first guideline calls for "speeding up the development of agriculture," the second for "assigning an important place to development of the consumer goods industry," the third for "increasing the efficiency of energy utilization and intensifying the construction of the energy, communications and transport industries," and the fourth for "focusing on systematic technical reform." All of these requirements are inseparable from the development of alloy steels; in particular the gradual deepening and broadening of technical reform, the replacement of some machinery and equipment, and upgrading and replacement of national defense products and consumer products pose new requirements as regards quantities, varieties and quality of alloy steels. Experience has shown and will continue to show that increasing the proportion of alloy steels is both important and feasible.

In order to gain an understanding of the objective need, in the past 2 years we and the relevant departments have carried out a preliminary survey of requirements for alloy steels, the results of which we summarize below.

A. The output and relative proportion of alloy steels must be greatly increased. In certain major steel-producing countries alloy steels generally account for 10 to 15 percent of all steel output, and it is forecast that this proportion will continue to increase during the 1980's. In our country's alloy steel production, the requirement that the proportion of alloy steels exceeds 8 percent during the Sixth Five-Year Plan is both necessary and practicable. But because of qualitative changes in connotation, it will be quite difficult to turn out alloy steel whose quality, variety and specifications meet the needs of development of the various departments of the national economy and national defense construction. It will be necessary to carry on technical reform and equipment replacement in existing enterprises, to increase the number of essential supporting facilities and to intensify technical and management work.

When determining alloy steel output targets, we must take full account of the energy situation in the various localities. In areas where electricity is in short supply, special steels enterprises must both vigorously conserve energy and exercise strict control over output. In areas where electricity is relatively plentiful, output levels can be suitably increased.

B. We must energetically restructure the product selection, increase output of varieties in short supply, fill in gaps, and make a success of the "eight types of service" (service to agriculture, to light industry and the food-stuffs industry, to municipal construction, to export, and to technical reform of energy and communications, the various departments of the national economy, and the national defense industry). We must increase the output of such short-supply items as alloy sheet steel, pipe, strip and wire. We must make further

use of our country's low-temperature alloy steel varieties as well as bridge, mining and construction varieties, strive to provide a complete range of alloy types, and make more effective use of alloy steels. In addition we must extend the range of products made from certain steels and rectify the previous situation in which only sheet, pipe, shaped sections and wire were supplied. Everything possible must be done to process certain materials into semiproducts for the users. This will not only increase the rate of finished products and decrease production costs, but will be particularly helpful in improving quality.

## 1. In Light Industry and Consumer Goods

The range of light industrial products is great and there is a profusion of varieties, in addition to which this industry affects the clothing, food, housing and transportation of every household. Effective service must be provided to each department of light industry according to its specific characteristics.

Easily cut lead steel and piano wire for wristwatches, steel for camera shutters and the like used to be imported in large quantities, but in the future new varieties must be developed and production of the best-quality products increased so that a domestic source will be available and it will not be necessary to import them.

A rather large number of steel types are used for some 20 electrical and mechanical consumer products, such as bicycles, sewing machines, washing machines and the like; we must gradually make the transition to specialized varieties and furnish materials which meet the users' needs.

The key point in regard to stainless steel used for medical appliances, contraceptive loops and the like is to improve its quality and increase its corrosion resistance and assure a supply.

As the people's standard of living rises, the demand for stainless steel tableware, cookware and kitchen utensils is increasing, and we must develop new, cheap, corrosion-resistant stainless steels suitable for stamping. In the past we have produced primarily nickel-chromium austenitic stainless steels, which are highly corrosion-resistant and easily machined, but rather expensive. Recently, in order to satisfy the need for daily-use articles, new processes have been used to develop ultra-low-carbon, chromium-containing 00Cr17Ti ferritic stainless steel with improved corrosion resistance and machinability at a much lower price. We must vigorously expand the production of this cheap, attractive stainless steel.

## 2. Textiles and Chemical Engineering

The textile and chemical engineering industries require many alloy steels. In the last 3 years our metallurgical enterprises have provided some new materials, but these still cannot meet the textile and chemical industries' rapidly expanding requirements in terms of quantity and quality. We are planning to vigorously expand the production of special wear-resistant steel carding wire and to improve its quality; we must press forward with the development and production of guide rollers, steel bobbins, spindle defoggers and steel for

frame springs, and expand the production of very smooth-finished stainless steel sheet and high-quality wire for textiles weaving and printing and dyeing equipment.

In recent years we have imported large quantities of synthetic fiber equipment, many of the key assemblies of which require alloy steels; in order to provide materials for the maintenance of this equipment we must supply the relevant alloy steels, in particular small-diameter stainless steel tubings and 6-8 mm stainless steel sheets.

In order to meet the needs of development and technical reform of the chemical industry and to increase the use rate of chemical engineering equipment, we must develop corrosion-resistant, high-pressure-resistant steel and steel for low-temperature refrigeration equipment. We must provide stainless steel pipe more than 13m long and 102-105 mm large-bore seamless stainless steel pipe for petrochemical equipment. Stainless steel pipe containing aluminum, vanadium and rare earths is used in carbide towers in the chemical fertilizer industry, and high-strength low-alloy steel plate for central boilers must also be developed quickly and its production expanded to meet user needs and improve economic performance. For example, initially 6-mm thick, 25-kg grade 20g sheet steel was used for the inner cylinders of 60,000-ton-ammonia synthesis towers, and 22 layers had to be packed. But if 42-kg grade 15MnV low-alloy steel of the same thickness is used, the number of layers required is decreased to 13, saving more than 50 percent on rolled steel. When 20A12VRE seamless pipe is used in fertilizer plant carbiding towers, it has a corrosion resistance 3 times greater than that of carbon steel.

### 3. In the Energy Industry

In order to adapt to the development of the petroleum industry, we must expand the production of oil well casing meeting API specifications. In order to meet the needs of offshore oil extraction, we are organizing the development of high-strength marine plate and (z-direction) exfoliation resistant steel plate for use in oil-drilling platforms, as well as gear rack steel for self-raising platforms, drill pipe and casings for offshore oil drilling, anchor steel, steel cable, steel for collection and transport pipelines and the like.

Our country has extremely plentiful hydropower resources, and the hydroelectric power industry has broad prospects. As capacity increases, the strength of boiler plate must also be increased. We have already provided high-strength low-alloy steel with yield strengths of 50 and 70 kgf/mm<sup>2</sup> in order to meet the material needs of hydroelectric power even more effectively, and we must also develop crack-free weldable steel (CF).

We have made energetic arrangements to supply the coal industry with the steel for V-shaped mine supports, No 10 UP-type shaped steel, No 8 corrugated sections and other light, strong steels.

The construction of nuclear power stations poses new requirements for alloy steel materials and varieties; we must intensify our research and development work and produce results as soon as possible.

#### 4. In Communications and Transport

In order to further conserve energy and decrease vehicle weight, large quantities of alloy steel must be used in railway rolling stock and various types of motor vehicles.

Much of our country's rolling stock is now being scrapped because of rust. The 09MnCuPT steel produced by the Wuhan Iron and Steel Company and the domestic equivalent of the US Cor-ten atmospheric corrosion-resistant steel have met with initial success, and passenger cars and box cars made from them have had a much longer service life. In addition, this country's freight cars have a rather low gross-to-net weight ratio, and if new materials could be made available to decrease this ratio, it would greatly increase rail transport capacities. Recently, 09Mn2 low-alloy steel has been used to produce the DIH-7 light oil tank cars, which are 2 tons lighter than those made from ordinary No 3, steel; we still must develop additional alloy steels. In addition, medium-manganese and high-silicon steel track with a service life greater than that of carbon steel track must be developed and put into use.

Automotive structural members require high-strength automotive sheet metal, and replacement of wood by steel in truck bodies requires steel with corrosion and wear resistance and good cold flexibility; in addition, two-phase steel is used. These types of steel have posed many new and urgent problems. On the one hand, we must make a major effort in research and experimental development, while on the other hand we must effectively improve production equipment.

#### 5. In the Machine-Building Industry

Technical reform of the machine-building industry plays an extremely important role in the technical reform of the entire national economy, and the metallurgical industry must provide various types of alloy and low-alloy steel needed for making sets of large-size equipment. In accordance with market requirements, we must develop bearing tubing, alloy structural steel and spring steel and increase the proportion of M2 and 9-3-4-1 high-speed steel. In the future we must focus on high-grade products in high-speed steel production, while low-grade products can still be produced so as to provide users a relatively wide choice. Use of the tubing to produce axle bearings can increase the steel utilization rate by 10 percent and gives good economic results, so that we should install specialized equipment and increase production of this steel.

In addition, we should strive to approach international standards as regards super-high-strength steel, high-performance corrosion-resistant alloys, high-temperature powder alloys, noncrystalline magnetic materials, metals for magnetic storage, microwave-absorbing materials, and special graphite and carbon fiber materials.

C. We must assign top priority to improving product quality. In refining, the purity of the metal must be increased and stability and uniformity of composition assured; in rolling, an effort must be made to increase precision, to decrease the range of tolerances and to improve surface quality; heat treatment should be used to further improve internal structure and properties;

control and monitoring should be intensified and an effort should be made to implement flaw detection before dispatching; packaging quality must be improved to avoid mixing of varieties, scattering and corrosion. Particular emphasis should be placed on the product quality of high-speed steel, bearing steel and stainless steel. Most high-speed and bearing steel must equal or approach advanced foreign standards for steels of the same types. In the case of stainless steel sheet, emphasis should be placed on surface quality, [variations in geometry], and corrosion resistance. In addition, attention should be devoted to the quality of steel for dies and jigs and drill steel; most of the latter should equal the quality of that from Japan and Sweden.

### III. The Iron and Steel Industry Must Consciously Strive To Do Effective Work

The key to increasing the proportion of alloy steel at present consists of the iron and steel enterprises' providing their consumers with products that meet their needs, that are available in a good selection, and that are attractive and cheap, while making an effort to improve product quality. If the varieties are not those needed, if quality is substandard, even increasing output will do no good, but instead will result in greater losses; if a full selection of types is not provided, if there is sheet but no pipe, strip but no wire, then alloy steels will not produce their full effect, excessively high prices of some alloy steels have already directly hindered their more extensive use. Accordingly, the slogan, "suited to needs, full selection, good quality, low price," must guide the common efforts of all comrades involved in alloy steel production and research.

To accomplish this task, we must first relate all alloy steel production and research work to user needs. The more than 20 years' history of the development of alloy steels can be described as the history of the making of such a connection. During the three difficult years, the Soviet Union broke its faith with us, tore up its contracts and took back its specialists. It was under these precarious conditions that our fledgling alloy steel industry contracted a three-way alliance between production, research and users and overcame one difficulty after another to provide the national defense and machine-building industries with all of the urgently-needed special-characteristic alloy steels. As Engels said, "If society should have some technical need, this need can do more to advance science than ten universities." In those years, some new varieties of alloy steel were developed and popularized under the impetus of real need. Thus, all of our enterprises and research units must strengthen their attitude of service to the user, and must come out of their plants and institutes to survey users and listen to their opinions and provide them with good service. This is necessary in order to develop and popularize new varieties. A pump for hydrochloric acid used by an electroplating plant originally had a stainless steel axle with a service life of 3 days; the Beijing General Research Institute of Iron and Steel developed a new superlow-carbon steel axle which has already been in service for a year without replacement. The alloy steel pipe in a certain plant proved to have low hardness and toughness when machined and heat treated by the consumer, so the plant sent engineers for an on-the-spot survey and discovered that the problem was not with the quality of the material, but with the heat treatment process. The engineers participated in studying and improving it, and the quality subsequently met requirements. Thus, when an iron and steel enterprise has produced its



product, it has not yet completed its task: it must conscientiously strive to understand the conditions under which the consumer uses it and solicit feedback in order to improve its own work, help the user select and use materials properly, and steadily improve product quality. Particularly at a time when the production situation has taken a turn for the better, attention should be paid to good technical and sales service. Second, overall enterprise reorganization must be effectively carried out. Currently there are insufficient markets for some alloy steels; one important reason is that the consumers are dissatisfied with poor or variable quality and high price. Although this problem is somewhat influenced by materials costs and outmoded process equipment, it also results from poor enterprise management. In some enterprises this last-mentioned factor is playing the decisive role. If management is poor, even modern equipment will not result in an adequate product; poor management produces serious waste, and even cheap materials will not produce a cheap finished product. There is a great difference between advanced and laggard enterprises in terms of electricity consumption per ton of steel refined in electric furnaces, and in terms of the finished product rate of cold-rolled stainless steel sheet [ingots] owing in large part to management quality. If all enterprises could catch up with the pace-setters, some enterprises' production costs would drop considerably. In addition, there are considerable problems with funds utilization. According to one company's economic analysis, the initial value of its unused, not needed or tied-up fixed assets at the end of 1981 amounted to 10.7 percent of the initial value of all of its fixed assets. Obviously there was great unused potential here. We should conscientiously learn from the experience of the Capital Iron and Steel Company in carrying out more effective enterprise reorganization and tapping further potential from reorganization in connection with promoting the economic responsibility system. In particular, we must conscientiously reorganize basic work, continue to promote comprehensive quality management, comprehensive economic training of all personnel. Primary record-keeping, statistics, measurement, testing, and the setting of labor and materials consumption quotas, optimal processing techniques and optimum operating standards must all be reorganized and made effective so that production technology and management will become increasingly rational. In addition we must carry on effective standards management and must conscientiously investigate and actively utilize international standards and advanced foreign standards. All metallurgical enterprises must draw up their own internal standards on the basis of user requirements, strive to catch up with foreign countries in terms of material quality, and narrow the gap in this area. They must gradually establish special standards for specialized steels and draft standards as quickly as possible for steel varieties which have already gone into extensive use but for which standards have not yet been received. In the future, output of a large number of steel varieties should not be blindly pursued, but existing varieties should be screened and supplemented, efforts should be made to improve existing varieties which are widely used in large quantities, and a gradual approach should be made to series production.

Third, emphasis should be placed on effective technical reform of existing enterprises. Another important reason that this country's alloy steels are of poor quality and production costs are high is outmoded processes and equipment. The bulk of stainless steel abroad is made by argon-oxygen furnace refining, continuous casting and continuous rolling, and production costs are low, while in this country we still use electric arc furnaces, mold casting, cogging with

forging hammers, and single-stand rolling, resulting in relatively high production costs. Recently argon-oxygen furnace refining has been successfully used on an experimental basis, and production costs are likely to drop considerably. Accordingly we must operate in terms of our actual capabilities and orient ourselves toward increasing the range of varieties, improving quality, decreasing production costs and improving economic performance; we must stress technical reform in existing enterprises, particularly in reforming certain key rolling stands, installing some precision refining and precision finishing equipment, and implementing testing techniques.

At present we must start by providing the necessary supporting facilities for such imported or domestically-produced advanced equipment as special steel-making and forging and pressing equipment, pipe extruding equipment, thick plate rolling equipment and the like so that they constitute production capabilities. In addition, assimilation should be pursued in a planned way in accordance with the actual situation. At the same time, an effort should be made to promote some advanced processes which are inexpensive but are effective in improving quality and decreasing production costs. Currently, injection metallurgical techniques, insulating plates and pouring with protective slags are new techniques which are being disseminated to certain specialty steel plants; guide plates have been used on some rolling mills, yielding excellent results in improving surface quality and equipment availability; some non-destructive testing lines have been built so that flaw detection at dispatching time can be carried out for most alloy steels intended for important uses. All enterprises should adopt a positive attitude in these areas and further disseminate them. They must strive to solve the problem of introducing monitoring computational and control instrumentation, which are very effective in improving quality.

In the process of technical reform the enterprises must mobilize the masses and solicit suggestions for technical innovation and rationalization. There is much unused potential of a wide variety of types in these areas, and all enterprises must strengthen their leadership and conscientiously carry on this work.

Fourth, we must further improve the quality of research and intensify technological development and applications work. In recent years, the development of the alloy steels industry has been inseparable from the achievements of scientific research; the changeover from large-scale importing of high-speed tool steels to their large-scale production and export is the result of relating research closely to production. At present our country has a rather eminent scientific contingent engaged in alloy steels production and research; our country has rich sources of tungsten, molybdenum, nickel, vanadium, manganese, niobium, titanium and rare earths, which are extremely beneficial for developing alloy steels. But we must also be aware that our achievements are still insufficient. Not many new steels are being disseminated in industry on a large scale. For example, rare-earth alloy steels are being applied only to a small extent, primarily because our investigations of the behavior of rare earths in steels have not yet gone deep enough. The rare earths are elements with strong surface activity. When they are added to molten steel, are they present as a cotectic, as compounds, or in some phase state? Are they present in crystals or in the intercrystalline space? These questions require more thorough research before we can have a deeper knowledge of the effect of these elements on steels. But in order to solve problems of this type we must

intensify applied and basic research and technical development research. Recently, research has been conducted abroad on deep-tempering alloy steels, which can be made to have remarkable characteristics without heat treatment or without complex heat treatment, allowing further conservation of metal and decreased energy consumption. This includes applied, basic and theoretical research and the related technical development work. In addition, because no effort has been made to popularize and apply certain research achievements, these achievements outnumber applications and cannot properly be converted into productive forces. These facts should warn us that we should effectively organize our present scientific and technical personnel and coordinate them, arrange suitable division of labor and do away with the present situation in which a considerable amount of effort and resources are being wasted in pointless duplication. Enterprise research institutes should engage now primarily in product research, process research, and research in support of technologies; ministry research institutes and academies should function as an effective backup force for front-line research in technical departments, and should put their main efforts into technical development and applied and basic research such as the exploitation of new materials and processes, concentrated efforts on major quality problems, and basic research in such areas as the physical chemistry of metallurgy, solidification, deformation, phase change, microalloying, cracking, corrosion and wear. They should do consulting and advising work regarding the development and utilization of alloy steels. Advanced schools should carry on some applied and basic research and some basic theoretical and technical development work, but should also have a secondary focus on training of personnel. To summarize, all departments involved in research should bring their strengths into play, cooperate effectively, and become a backup force for the production and development of alloy steels so that scientific and technical work on alloy steels forms a complete system extending from theory to production and utilization.

Fifth, we should institute production division of labor on the specialization principle in order to make use of the strengths of all plants. Experience has shown that without specialization there will be redundant construction, production efficiency will be low, product quality will be poor, and production-related consumption and production costs will be high, creating a situation which will not be beneficial to technical reform and the use of new processes and technologies. In the future our special steels industry must increase its competitiveness, and in particular it must move out into the world, readjust, reorganize and reform the existing special steel plants on the basis of specialization, then gradually develop integrated associations in various forms. All enterprises must act in terms of the overall situation and consciously submit to the guidance of the overall plan, striving to bring their strong points into play.

Naturally, moving forward with alloy steels requires not only that all iron and steel enterprises conscientiously strive to make a success of their own work, but also imposes on the higher-level organizations the responsibility of solving some problems which are too great for the enterprises. Because the country is currently experiencing financial difficulties and large amounts of funds are needed everywhere, the funds needed for the special steels area should also be allocated in deliberation fashion on the basis of priorities.

On the one hand we must conscientiously assimilate the lessons of history, effectively use existing funds, and avoid undertaking everything all at once, which would mean that the limited funds would not be able to achieve as much as they should; at the same time, we can expand channels, including such forms of economic cooperation as obtaining bank loans and arranging joint operations with customer organizations.

Our alloy steels sector is an area with a great future. We have abundant alloy resources and extensive markets; even more important, in the course of more than 20 years of production and research, with the common effort and energetic cooperation of sister departments, we have trained an employee contingent which firmly unites the producing and consuming departments, has rather rich experience, and is tough and capable. The leadership of the State Council and the State Planning Commission, the Economic Commission and the Scientific and Technical Commission are all showing great concern for our work, and our sister departments and organizations are constantly giving us energetic support. These are extremely favorable conditions for successful work on our part. We must bestir ourselves in a revolutionary spirit, close ranks and press forward with the work of developing and spreading alloy steels, more effectively accomplish the tasks assigned us by the leadership of the State Council, and make alloy steels play an even greater role in the four modernizations.

8480

CSO: 4013/153

## DOMESTIC TRADE

### MORE CHANNELS NEEDED FOR RURAL SALES

Shanghai WEN HUI BAO in Chinese 12 Oct 82 p 1

[Article by Chen Jiqing [3088 0679 1987]: "Increasing Channels for the Sale of Industrial Goods in the Countryside"]

[Text] In the early autumn, I went to the suburban markets where I heard and saw some things that provided much food for thought.

Towards the end of August, the Shibaihuo Company broke with convention and took their commodities to Nanqiaozen in Fengxian County. They displayed samples and took orders for goods. They created a stir in the basic level supply and marketing cooperatives. Many shop employees took turns coming over to see the goods. Within 3 days, their volume of business amounted to over 2 million yuan which is a 20 percent increase over the turnover of ordered goods in urban areas in the autumn and winter of previous years.

A few days earlier, the Chongming and Qiaozen combined general stores sent goods to the countryside and set up stalls. Word got around and peasants poured in to these supply stations from all over. They competed with each other to buy cotton, general merchandise, alternators and miscellaneous articles for daily use. Business was thriving even for dimianbu [3321 2758 1580] which used to be considered unmarketable. The front of the counter was packed solid. Shop clerks were so busy that they were perspiring profusely. The 3 day turnover reached as much as 26,000 yuan.

Why did the peasants react so positively to the availability of wholesale and retail commodities in the countryside? I discussed this matter with several comrades in supply and marketing cooperatives. They all believe that commodities in the basic level supply and marketing cooperatives are comparatively scarce.

In the past few days, I heard that a peasant in the Baihe Commune had gone to the supply and marketing cooperative to pick out silk hose. He looked about but there were only white hose available on the counters. When he chose nylon hose for his 8 year old child, there were only baby-sized hose to be found. To come to the city to shop took up much time not to mention the cost of the fare. This peasant sighed in despair and went home full of disappointment.

Low reserves in the basic level supply and marketing cooperatives are widespread. It is said that in Nanhui County the supply of varieties of goods in basic level supply and marketing cooperatives is only one fifth of that in urban wholesale outlets. Of course, reserves in basic level supply and marketing cooperatives cannot be as abundant and complete as those urban department stores. However, shortages of the "five items" (small daily articles, hardware, writing materials, sundries and groceries) which are needed in daily life by the peasants are commonly found in some supply and marketing cooperatives. Even commodities that are common in cities such as synthetic fibers, nylons, leather shoes, knitting wool, etc. are either available in only one variety or in only a few sizes in the countryside.

Based on the analyses done by comrades involved in work in rural supply and marketing cooperatives, the primary causes for the insufficient amount of marketable assortments are as follows.

First, the distribution of supplies of goods is not as it should be. At present, the distribution of commodities in the countryside lacks foresight. For instance, textiles inlaid with silver and gold silk, large checked synthetic fibers, white silk hose and highheeled colored leather shoes which are all only marketable in urban areas were sent in large quantities to the countryside. The result is that these commodities remain at the bottom of storerooms. They encroach upon capital and have influenced the stocking up of other commodities.

Second, the delivery of goods is not prompt. Once commodities have been ordered, there are numerous links in the circulation of goods. Bills must be written, goods distributed, delivered and transported. It often takes 10 days, half a month or even longer to get goods out to the countryside. In early July of this year, wholesale departments in Zhoupu ordered over 100 cotton blankets and towels from the urban wholesale outlet. By the middle of August they still had not received them.

Third, it is difficult to build up stocks. At present, procurement points in supply and marketing cooperatives are rare and far away. For example, Nanhui County originally set up wholesale outlets in Huinan, Zhoupu and Datuan. Later on they were combined into the one outlet at Zhoupu. It used to only take half a day for basic level supply and marketing cooperatives to get in stocks, now it takes a full day.

When wholesale departments send goods to the countryside, greatly reduces the gap between wholesale and retail prices. Originally suburban commercial departments went to the urban areas to order goods. It was a long trip. Few people went and negotiations were not possible. Furthermore they frequently only saw sample books not commodities so that they were really in the dark when it came to ordering. When urban wholesale outlets deliver goods to the countryside, even shop clerks in basic level supply and marketing cooperatives can come to consult so that needed goods are stocked. It is even more convenient for the peasants when retail stores deliver goods directly to the countryside. When I walked around the villages, I personally felt that after the system of responsibility in production was implemented, the peasants' concern with production increased and street shopping decreased. The delivery of goods to the doorstep of consumers, without doubt would be welcomed even more.

In order to expand the sales of industrial goods in the countryside and open up rural markets, we must first open up former circulation channels. Commercial sectors in the towns must look toward the countryside, people must go to the countryside and goods must be delivered to the countryside. We must fully develop the functions of basic level supply and marketing cooperatives and of extensions and deliver commodities to the peasants by means of increased market network outlets. However, it must be noted that suburban and rural regions are vast. There is still much work to be done on perfecting and opening up channels for getting industrial goods to the countryside. At the present time, the growth rate of rural purchasing power is fairly rapid. The peasants ardently hope that they can buy even more satisfactory and suitable industrial products as soon as possible. Consequently, increasing channels for the sale of industrial goods in the countryside coincides with the desires of the peasants. For example, wholesale outlets should be extended to the countryside in order to extend distribution. Retail stores and plants should set up stalls to provide supplies in the countryside or jointly engage in opening up sales with local supply and marketing cooperatives. All this should be strongly encouraged. If things are done in this way, the needs of the peasants will be met. It is also an effective means for urban commercial sector to expand sales.

9864

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## DOMESTIC TRADE

### IMPORTANCE MUST BE ATTACHED TO MARKET INFORMATION

Shijiazhuang HEBEI RIBAO in Chinese 13 Oct 82 p 1

[Article: "Market Information Must Be Regarded as Matter of Importance"]

[Text] At a symposium held on 6 October by the economic departments of the province to discuss the work of strengthening market information, Gao Yang [7559 2254], first secretary of the provincial party committee, pointed out the need to approach the work of market information as a matter of importance, to make a start in organizing market information work, to make a serious effort to engage in publicity work and to publish articles and reports on the subject. He expressed the opinion that the various economic departments and units should organize symposiums to discuss the important work of information so that the parties concerned may come to appreciate its importance, take the initiative in the collection, the study and the exchange of market information and make full use of the available information materials (publications). Stressing the need on the part of the production departments to acquire an understanding of market conditions and to attach importance to market information, he likened those who concerned themselves only with production without looking ahead and having no regard for market conditions to a blind man riding a blind horse stumbling into a deep water hole and being forced to backtrack after suffering heavy losses.

The symposium was attended by the responsible comrades of the concerned party committees, offices and bureaus of the province. Present at the meeting were leadership comrades in the provincial party committees and the provincial government including Liu Bingyan [0491 4426 1750], Guo Zhi [6753 1807], Liu Ying [0491 5391], Yue Zongtai [1471 1350 3141], Li Feng [2621 6912] and Hong Yi [3163 3015].

Those attending the meeting unanimously agreed that the work of strengthening market information must be regarded as an urgent and important mission. The militant program proposed by the 12th CPC National Congress for the full implementation of the new projects of socialist modernization has made new and greater demands in the commercial field. In his report to the 12th CPC National Congress, Comrade Hu Yaobang pointed out emphatically the problem posed by "poor market forecasts." The work of collecting and disseminating market information, if done in a creditable manner, helps those in leadership positions to draw up plans on the basis of the fluctuating supply and demand situation in the market, to adjust the planned economy to market needs,



to coordinate production, supply and sale of products, to promote production, to strengthen production and administration and management according to a plan, to reduce and to avoid the pitfalls of acting in a blind manner, to add to the competitiveness of products, to better develop industrial and agricultural production, to render better service in improving the livelihood of the people and to achieve greater economic benefits.

After some study, it was decided at the meeting that plans should be made to establish a "Hebei Market Information Center." The concerned departments and the major enterprises under the Provincial Bureau of Commerce and in the various areas and counties of the province are similarly required to set up market information offices with the necessary personnel to establish a market information liaison network throughout the province. The chief functions of market information are as follows:

(1) The achievement of a balance between the purchasing power of the people and the supply of commercial commodities. This involves information on the various factors with reference to the trend of development of the national economy and of industrial and agricultural production as it relates to the purchasing power of the people and the production and circulation of commercial commodities, the investment of funds, the return of cash to the banks, the amount of cash in circulation in the market, market demands in the cities and villages, the channels through which the purchasing power of the people is being directed and changes and developing trends in the pattern of consumer needs.

(2) Investigation into and acquiring an understanding of changes in the production and demand situation of the major commodities as well as certain special commodities and the trend of developments. This involves market demands, production capacity, market distribution, market structure, the amount of production, the variety and types of products, raw materials, energy resources, sown areas, the production rate (quantity) of commercial commodities, the amount retained by society, the number of pigs, cows, sheep and domestic fowls in and out of inventory, the cost of products, the amount of profits, prices, the amount purchased, distributed and sold by commercial businesses, the amount stockpiled, the import and export situation, changes in the trend of development and the whole process from the sale of products on a trial basis, the period when the products have reached a point of saturation, the period when the products have reached an unmarketable state and the period for the discontinuation of their production.

(3) Providing information on consumer demands and changes in their demands in the types of merchandise, the quality, variety, specifications, styles, prices and packaging. This includes changes in the level of consumption, the buying habits of consumers and seasonal demands. As regards the types of merchandise, a study should be made as to which enjoy brisk sales, which are slow to sell, which are unmarketable and being stockpiled, which should be discontinued, which show sufficient promise to warrant development and the effect new types of products have on the old.

(4) Providing information on the supply and sales situation in our province of major products from other provinces and the market demand for our products in other provinces.

(5) Providing information on the changing situation regarding special problems and special commercial commodities.

The meeting also affirmed the need to begin the work of economic information by establishing in the province an economic information center for the exchange of information and the eventual inclusion of information relating to production and technical matters.

9621

CSO: 4006/100

## DOMESTIC TRADE

### REASONS FOR FLOURISHING, STABLE MARKETS EXPLAINED

Beijing CAIMAO JINGJI [FINANCE, TRADE AND ECONOMICS] in Chinese No 10,  
15 Oct 82 pp 7-9

[Article by Liu Yi [0491 3015], Minister of Trade, dated 18 August 1982; "Trade Is Brisk, Flourishing and Stable in Our Markets"]

[Text] Since the Third Plenary Session of the 11th CPC Central Committee, commerce, operating under the guidance of the Party Central Committee and the State Council, has earnestly corrected the leftist errors that prevailed for a long time in the field of commodity circulation, and implemented a policy in our national economy which is expressed in the four words: Readjustment, restructuring, reorganization and upgrading. As a result, the markets took on the excellent appearance of a brisk, flourishing and stable trade as has seldom been witnessed since the establishment of our government.

Any discussion of commerce must of necessity deal with agriculture and industry. Ever since systems of production responsibility were in various forms adopted in agriculture, since prices for agricultural products and by-products were raised and the agricultural structure readjusted, the production enthusiasm of the peasants was aroused to the utmost, and the production of such major agricultural products and by-products as grain, cotton, oil, pigs, tobacco, hemp, sugar, tea and fruits rose everywhere and in considerable quantities, exceeding the highest levels that have ever been achieved. After the progressive readjustment of the imbalance between heavy and light industry, the production of manufactured goods for daily use developed rapidly. Clothes made of synthetic fibers are changing almost from day to day the composition of our people's apparel. Production of the "old three items," bicycles, sewing machines and watches, increase at a good speed year after year. The production of the "new three items," television sets, tape recorders and washing machines, is developing several times over. In the wake of the readjustment and development of industrial and agricultural production, great changes also occurred in commerce. In 1981 the total value of retail sales of social commodities rose by 50.74 percent compared with 1978, and the trade in our markets is thriving, brisk, flourishing and stable. It signifies that the party's line, principles and policies since the Third Plenary Session have been tremendously correct and furthermore confirms that our people, under the guidance of the CPC, have complete confidence, and also the strength, to build our country into a powerful, modern socialist state.

Our national economy is now in the state of readjustment. After 3 years, things have taken on a new aspect, and the people of the whole country are overjoyed. Work in the field of commerce started out by creating order out of chaos in the guiding ideology and by relentlessly eliminating the influences of the "leftist" errors. According to the party's policy of "opening up the country to the outside world and enlivening the domestic economy," while upholding the priority of planned economy and following the principle that state-run commerce is to be in dominant position, a rather flexible policy was carried out in procurements and distribution, the relationship between production and consumption was coordinated, the development of commodity production was promoted and the commodity structure was progressively rationalized. A policy of the "three more and one less" was carried out, namely a reform in the system of commodity circulation of "more variety in the economic sector, more variety in management forms, more channels of trade and fewer links in the production chain." A division of labor as regards different types of commodities was also carried out, as well as a new system of opening up relations between city and countryside, and great efforts are being expended on clearing away the obstacles separating city and countryside. It may be expressed in this way: A true socialist unified market is now being established in our country and is being continuously perfected. The initial reforms in this respect have been basically accomplished. Of course, we are still facing many new problems, and there are still a great number of places that are not yet conforming and that will require new reforms.

What are the various reforms and changes in commerce?

First, Adopting a Variety of Procurement and Distribution Patterns and a Variety of Price Structures; Changing the Market Supply Situation From One of Stringency to One of Relaxation.

In the procurement of agricultural and sideline commodities, our state-run commercial enterprises have for a long period of time used only one procurement pattern and one price structure. This is asserting the role of history, and in the future we shall continue to uphold the principle of affording planned pricing the dominant position. However, a single line of procurement prices is not conducive to a proper regulation of production and consumption. After the Third Plenary Session, not only were the posted prices for the procurement of the main agricultural products and sideline products raised, but a new policy of supplemental prices and price negotiations was put into effect. This had an important impact on the adjustment of the structure of agriculture and on the overall development of grain and cash crops. It increased peasant income, made more commodities available to the state and greatly improved the market supply situation. Currency released to peasants in 1981 as compared with 1978 for the procurement of agricultural products and sideline products rose: For grain 88.75 percent, for cotton 96.06 percent, for oil-bearing crops, 3.97 times, for pork on the hoof 96.09 percent, for sugar-yielding crops 1.01 times, for tea leaves 94.26 percent and for flue-cured tobacco 59.23 percent. Expressed in kind and calculated for a population of 1 billion, a single average annual share would be: Additional 45 jin of grain, additional 2.7 jin of edible oil, additional 7.4 jin of meat and additional 1.59 jin of sugar. Beginning with the unlimited supply of

pork, the market will step by step ease up allround. The people will not only be able to buy foodstuffs from the shops at list price, but will also buy foodstuffs at negotiated prices and choose foodstuffs at the rural markets.

Second, Handling of Manufactured Goods for Daily Use is Changed From a System of Exclusive Sales Monopolies to a Variety of Procurement and Distribution Methods. Commodities Are No More "Old" and "in Short Supply," but "New" and "Plentiful"

The coordination of production and market situations in the case of manufactured goods for daily use has created a great change in the production of such commodities ever since the Third Plenary Session. For a long time past, the commercial enterprises had adopted a system of exclusive sales monopolies, where the larger or smaller demand was of no direct material concern for the production departments. This is a serious fault of the method of exclusive sales monopolies. Beginning in 1979, faced with the demands by the industry for greater autonomy and guided in its actions by the circumstances, commerce resolutely adjusted the procurement method from the one and only form of monopolies to four forms of procurement and distribution, namely controlled procurement and distribution (uniform distribution), planned purchasing, ordering goods and choosing and buying. This way, on the one hand brings the manufacturing units into contact with the vast world of the markets and on the other hand has the trading departments face the new problems of plan adjustments and market regulations. Judging by the results of implementing these four types of purchasing and marketing, it appears that the products became more and more adapted to marketing potentials, renewals and changes of items was speeded up, production technology was continuously improved and the quality of the products was continuously raised. At present the 11 types of manufactured goods for which the method of controlled procurement and distribution (uniform distribution) has been instituted comprise about 32 percent of the total procurements of manufactured goods; the 27 types of manufactured goods that are procured by planned purchases comprise about 28 percent of the total procurements of manufactured goods; the manufactured goods ordered comprise about 12 percent of the total procurements of manufactured goods; the rest are commodities selected and purchased. The commercial wholesale departments control 70 percent of the sources of all commodities, thus guaranteeing the realization of a socialist unified market, where planned economy is the dominating factor. Compared with 3 years ago, there is a much more abundant variety of designs and colors and a much larger assortment of manufactured goods in today's markets. The old products of the many past years of "habitual uniformity" are undergoing changes and new products vie with each other. There is by far much less lining up of people or scrambling to buy manufactured goods, and selectivity widely prevails. Markets in cities and villages appear flourishing.

Third: Commerce Changed From Exclusive Operations to Social Commercial Structures With a Variety of Economic Sectors; the Market has Become Greatly Animated and Offers Greater Conveniences.

The leftist errors in the operation of trade enterprises resulted in a great reduction of network outlets, a great contraction in the area of services and in having state-run enterprises operate as exclusive traders. Only one single trade channel was available and a "mandarin merchant" style became conspicuous. As a consequence, a whole series of difficulties arose, it was "difficult to eat," "difficult to find housing or room in an inn," "difficult to get a haircut," "difficult to get repairs done," "difficult to buy anything," etc. This caused serious inconveniences for the people. After the Third Plenary Session broadened policies, a breakthrough was effected in the area of commerce by breaking down the exclusive operations and changing the situation where "only this one trading establishment existed and no branches of it anywhere." Although there was much resistance against this transformation, the results of the breakthrough were excellent. At present the network outlets for urban and rural collective commercial enterprises have risen to 945,000, with personnel numbering 4.5 million which is an increase of 49 percent and 94 percent, respectively, compared with 1978. The individual commercial network outlets in the cities and townships have risen to 1,740,000 with personnel numbering 2.02 million, an increase in both of 38 times compared with 1978. There are 43,000 collective commercial markets and even the large and medium-sized cities are taking a leading role in opening up agricultural markets. In this way, a truly socialist unified market was created for our country's commodity circulation, in which a variety of economic components exist side by side with the state-run commerce in dominant position. The past situation of exclusive business operations was changed, competition is appearing within certain limits and the "difficulties" referred to earlier have seen a certain relaxation. Markets have become enlivened and things have been made convenient for the people.

Fourth: The Domestic Market Changes From a Division of Labor Between City and Countryside to a New System of Division of Labor by Commodities and an Opening-Up of Trade Between City and Countryside, With Great Efforts Being Expended on Opening Up the Rural Markets

The division of labor between city and countryside in our country's domestic markets for manufactured goods came about under the historical conditions of the past. We must first of all affirm that it met the historical needs of the transformation in the production relations as it affected commodity circulation. We must also realize that the separation of city and countryside, which was brought about by the division of labor between city and countryside, violates the objective law of commodity circulation. The reason why the state of separation between city and countryside persisted for a long period of time was solely the prolonged commission of leftist errors and the tight supply and demand situation. Under those circumstances, its harmful effects had not yet become fully obvious. Since the Third Plenary Session, as a result of developing circumstances, also of the progress of the transformation and the demands for a transformation of the entire system of the national economy, the State Council decided to effect a change in the commodity circulation from a system of division of labor between city and countryside to a new system of division of labor by commodities and of opening up of trade between city and countryside, in order to clear the channels for urban-rural commodity exchanges. Of our 1 billion people, 800 million live in the countryside and the rural areas are the principal sector of our market for manufactured goods. The further development of our commodity production relies

mainly on the expansion of the rural market. It is therefore only the opening-up of trade between city and countryside that will help open up the rural markets for manufactured goods, that will help sell agricultural products, sideline and other local products and specialities and that will achieve the smooth interflow of all commodities. At present, this transformation is being launched everywhere, and the people will gradually become aware of its great significance.

Apart from this, there is also the system of responsibility for business management, applied in a number of enterprises, which is now also combined with a reorganization of the enterprises and constantly being perfected. It has also shown excellent results. The establishment of three kinds of commercial storage facilities (cold storage, oil storage, warehouses), the use of science and technology, the development of education, the expansion of the contingents of young staff and workers, etc., in all these respects there have been great changes compared with conditions before the Third Plenary Session and the whole appearance of the commercial front has taken on a new look.

Taking note of all these changes strengthens our firm resolution to march on relentlessly along the political line, principles and policies of the Third Plenary Session, to gain new victories. We must also take note that there are still many unsatisfactory points in our work in the commercial field, where we must strive unceasingly to open up new prospects.

Our country finds itself at present in a new historical era. We intend to build our country into a strong state with modern agriculture, industry, defense, science and technology within the current century. For this purpose we must devote major efforts to the development of our commodity economy, and this development is conditioned by the development of our trade. This is a problem of which many comrades have become aware through the practical experiences in recent years. Under the new historical conditions, commerce must not only undertake to solve the tasks of the period of readjustments with their mutual intricate and complex relations, but must simultaneously take in hand a systematic adjustment and reform to solve the new tasks of the new era which are posed by the new circumstances. This requires that we develop commodity circulation and promote a prosperous urban-rural economy according to the needs of the modernizations and the development of a commodity economy, and that we render greater service to the socialist modernizations and to the growing needs of the material and cultural life of the masses.

Our country's commodity economy is a socialist planned economy. Agriculture is decentralized production on the basis of the public ownership system. Industry is comprised of many regional economies, and its management is administration by different levels under unified planning. This objective economic life demands that commerce bring into full play its direct effectiveness in promoting production and guiding production. In the light of market predictions and forecasts, support of policies, patterns of procurement and marketing, an effective reform must be brought about, the development of grain and cash crops as well as diversified operations must be promoted in a planned way and the development of manufactured goods for daily use similarly promoted.

It is necessary to make great effort to create favorable conditions for the completely unimpeded interflow of commodities in all directions and to open up trade between city and countryside on the foundation of an all-round implementation of the State Council's new system of division of labor by commodities. We must study how the reform can be carried one step further, to render the interflow of commodities more reliant on self-initiative, more rational and of greater economic profit. There must not only be a rise in beneficial economic results of commerce itself, but the effect must also be an increase in the beneficial results for the entire social economy. It is also necessary to reorganize the enterprises, enhance the quality of staff and workers and make efforts to improve management. While we must focus on raising economic benefits, arousing the enthusiasm of the staff and workers and on raising the quality of service, we must effect an all-round reorganization and reform of the wholesale and retail trades and of the catering services. We must establish a commodity circulation system in which the state-operated trade enterprises play a dominant role, establish forms of management in which contract operations are dominant and establish a social trade structure in which the collective trade establishments are the assistants and individual trade is supplemental. At the same time, we must expend great efforts on education in commerce, on developing science and technology relevant to commerce, on strengthening ideological and political work, and on raising the ideological and cultural level of staff and workers in commerce and raising their scientific and technological level. We must bring the role of commerce into full play in the construction of our material and spiritual civilization in order to contribute toward building our country into a powerful modern state within this century.

9808

CSO: 4006/107



## DOMESTIC TRADE

### BRISK MARKET IN FUJIAN COUNTRYSIDE REPORTED

Fuzhou FUJIAN RIBAO in Chinese 23 Aug 82 p 1

[Article by Huang Xuexin [7806 1331 8590], office of Fujian Provincial Supply Marketing Cooperative: "The Market Is Brisk in Our Province's Countryside"]

[Text] Under the guidance of the correct line of the Third Plenary Session of the CPC 11th Central Committee, our province's rural markets are growing brisk and prosperous day by day, the peasants have greatly increased their purchasing power, the demand for goods of middle and high grades is great, and the structure of consumption is becoming more and more urbanized. This fine sight is seldom seen since the founding of the people's republic.

With the implementation of the party's economic policies in the countryside, our province has developed agricultural and sideline production quickly, in addition the state has increased the purchasing prices of farm and sideline products, the peasants have increased remarkably their economic income and enhanced their purchasing power to a great extent. According to the statistics of related departments, from 1979 to 1981, the increase of peasants' net income surpassed the increase of the previous 13 years. In 1981, compared with 1978, the purchasing power had increased by 19 percent every year, and the total increase was 94 yuan in 3 years. Even with many and varied economic sectors and circulation channels, and with scattered commodity sources, our rural supply and marketing system has increased its retail sales of goods to a fairly large extent. From January to July of this year, the amount of retail sales in the countryside of our province reached 932.98 million yuan, showing an increase of 39.94 percent over the same period of 1978. The margin of increase surpassed that of the cities.

As the peasants have raised their standard of living, they have higher and higher demands for industrial products. In the past they were satisfied with only cheap and durable goods, now they want famous brands, look for goods of higher quality and better pattern and style, and in particular wish eagerly to buy goods of middle and high grades and famous brands. From January to July of this year, as compared with the same period of 1978, under the supply and marketing system in the whole province, among the principal varieties of the 4 major categories of goods including foods, clothing, daily articles and housing, the sales volume of sugar increased

79.45 percent, washing powder 52.7 percent, polyester blend fabric 3.42 times, sewing machines 3.96 times, wrist watches 3.29 times, bicycles 2.21 times, and nails and ironwire both doubled. From January to July of this year, 3,946 television sets were sold, in the past no peasant would dare to ask about such highly priced goods. Electric fans have become a daily use article in homes of peasants. Dresses and ready-made clothes, leather shoes and cosmetics including hair lotion and pearl skin cream, which peasants seldom used in the past, have become popular goods in great demand. Machine-made toilet paper is gradually taking the place of straw-paper.

The brisk market in the countryside is also manifested by the fact that the supply and marketing cooperatives in various places are making efforts to expand their networks of stores and find new sources of goods. As compared with 1978, last year our province increased cooperative networks by 36.5 percent, and also added 1,515 agency stores in isolated, remote mountain areas and islands in the sea. In the first half of this year, the amount of money which all the cooperatives spent for their purchase of 35 kinds of principal industrial products accounted for 10 percent of the total appropriation of the state-operated commerce, which greatly enriched the rural markets. To enlarge sales and meet demands, the cooperatives in various places have started the home delivery service, sending itinerant pedlars to villages, setting up stalls in rural fairs, and also such activities as holding periodical meetings for the exhibition and sales of goods and for commodity exchange, carrying out key investigation, market forecasting, and supplying goods in odd lots. Commercial warehouses have become once more active in trade on the vast rural market. At present, there are 62 trading warehouses in our province, which are playing a major role in linking the cities and the countryside, bringing about a prosperous rural economy, and enriching the rural markets.

9039

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## FOREIGN TRADE

### SIGNIFICANCE OF OPEN-DOOR POLICY EXPLAINED

Beijing GUOJI MAOYI [INTERNATIONAL TRADE] in Chinese No 8, Aug 82 pp 3-7

[Article by Wang Yaotian [3076 1031 3944]: "Strategic Importance of an Open-Door Policy"]

[Text] After the Third Plenary Session, China formally announced its decision to implement the policy of opening up to the outside world. In his Report on Government Work to the Fourth Meeting of the Fifth National People's Congress, Premier Zhao Ziyang said, "China's four modernizations program needs international cooperation.... In economic work we should completely cast aside the natural viewpoint of self-sufficiency...carry out a policy of opening up to the outside world and strengthening international economic and technological exchange...use our strong points, through equal and mutually beneficial international exchange, to make up for our weak points." An article by the editorial department in issue No 8 of HONGQI this year stressed that China must develop all-round foreign economic relations in order to open up new situations. China's opening up to the world policy, therefore, is not an expedient measure but an important strategy in realizing the four modernizations. It is in keeping with the fundamental and long-term interests of the multinational Chinese people.

#### I. An Open-Door Policy Is Theoretically Correct

The theoretical correctness of the opening up to the world policy can be elucidated in the following three aspects:

(1) The opening up to the world policy suits the progressive trends of historical development. It is a historical necessity.

An important characteristic of current world economic development is the growing trend toward internationalization of production and the economy. Along with the development of large-scale modern industrial production and new science and technology, international economic relations have expanded from the circulation sphere to the production sphere. From exchanges of primary materials, foodstuff and manufactured goods, international trade has developed to take on various forms of cooperation and technological collaboration between productive sectors. The different countries have become increasingly mutually dependent and cooperative in capital, technology, services, and management expertise. Under the circumstances, a

country, while carrying on large-scale modern industrial production, in addition to relying on domestic market, resources, capital, technology, and services, must also use, to varying extents, international markets, resources, capital, technology, management expertise, and services. It is usually difficult for a country to develop large-scale modern industrial production behind closed doors. By utilizing external conditions and carrying out international cooperation and technological exchange, it is possible to develop rapidly at a relatively lower cost.

How should we understand the current trend of the internationalization of production and the economy? This is a theoretical question we must solve when implementing an open-door policy. According to Marxism-Leninism, international division of labor and exchange is the inevitable outcome of the development of productive forces, and the development of productive forces under any circumstances is a progressive trend of historical development. Marx said, "World trade is an indispensable condition for large-machinery industry." ("Letter to B. W. Anenkov" by K. Marx, 28 December 1848) We should understand this to mean that large-machinery production is the necessary way of economic development no matter what the socioeconomic form. China's modernization program is precisely to develop large-machinery production. Therefore, developing world trade is also an indispensable condition for China's economic development, and in order to develop world trade, it is necessary to implement a policy of opening to the world. Lenin believed that "the socialist republic cannot go on existing without making contacts with the world, and should, under the present conditions, link its own existence with its relationship with capitalism." ("Report on the Question of Concession at the Meeting of the Communist Party and League of the Central Council of the All-Russia Trade Union," 11 April 1921, "Complete Works of Lenin," Vol 32, p 303) Lenin also believed that "establishing trade relations with them will increase our own strength...." ("Our Country's Domestic and External Situations and the Task of the Party," 21 November 1920, "Complete Works of Lenin," Vol 31, p 375) The song "The Internationale" by Eugene Pottier has the line: "Internationale will be realized." The realization of international communism will have a material basis only when the internationalization of production and the economy is fully developed on a worldwide scale. Therefore, it is in keeping with the progressive trend of historical development for a country to implement an open-door policy and actively develop foreign economic and trade relations. The proletariat should advocate and promote this trend and has no reason to fear or hinder it.

(2) The correctness of an open-door policy is proven by ancient and contemporary Chinese and by world history.

A review of ancient and contemporary Chinese and world history shows that a country usually prospers when developing exchanges with foreign countries, and declines when closing doors to the outside world. For example, as early as the slave and feudal societies, city-states along the Mediterranean such as Phoenicia, Greece and Venice prospered through overseas trade. In the early days of capitalism, Holland and Britain dominated the seas through trade. In its early period, the United States developed into a world power

by utilizing European capital and technology. After World War II, external conditions played an important role in the economic recovery and development of West Europe and Japan. In Chinese history, the State of Qi, which was situated on the seacoast, followed the advice of Guan Zhong and traded in fish and salt, and so was able to be acknowledged nine times as the leader among the feudal princes and put the kingdom in order. In more recent times, the Qing Dynasty prospered in its early period when it promoted ocean trade and declined in its later period when it closed its doors. While these historical developments occurred under different conditions, they can be studied as reference.

Why is it that the rise and decline of a country is linked to its foreign relations? Recently the Belgian physicist Puligaopu [2528 0448 7559 3184] put forth the theory of dissipation structure. He holds that the systems in the universe, whether animate or inanimate, all interact with their external environments, making them mutually dependent. In natural phenomena, a substance will automatically undergo changes through continually exchanging energy and molecules with the external environment. When the changes reach a definite threshold level, the substance will transform into a new structure. On the contrary, when a system of substance does not come into contact with external environment, it cannot obtain the energy needed for its existence and development. Unable to undergo the process of metabolism, the system of substance will wither. Applying this theory to international economics, it shows that when a country implements an open-door policy, the contact of domestic economic system with external economic systems will contribute to the flourishing of the domestic economy.

### (3) The open-door policy favors the development of the national economy.

All modern countries, whatever their socioeconomic systems, should actively develop foreign economic and trade relations under an open-door policy, as it favors the development of the national economy. There is a specious theory that maintains that developing foreign economic and trade relations is to make exchanges with foreign countries, that exchange does not produce value, therefore exchange is like gambling. What the winner gains in gambling is what the loser loses. Adding the two sums, the total remains unchanged. It would seem that in an exchange, what side "A" gains is what side "B" loses. The buying quantity and the selling quantity are the same, with no increased value. Actually, in international trade, under conditions of equality, both buyer and seller can gain benefits. That is to say, each of the two sides taking part in trading either gains the use value of what it lacks, or economizes on its social labor and increases its social products. That is to say, in international exchange, each side exchanges its own superior products for the other's superior products, thereby producing a "net benefit." Marx believed that when a country "A" exchanges its wine for the cereals of country "B," the result is that "with the same exchange value, 'A' will gain more cereals and 'B' will gain more wine." ("Das Kapital," Vol 1, p 179) Therefore, as long as international exchange is carried out under conditions of equality, both sides will benefit. Of course, because the economic positions and labor productivity of the two sides are different, one side usually gets a little more and the other side a little less of

the "net benefit" produced by international exchange. But an independent country that can hold the initiative and have the necessary knowledge of international exchange, even if its productive forces are not well developed, can still obtain favorable exchange conditions. Marx said that countries with low productivity "pay out more physical labor in the form of objects than they get, but the commodities they get are cheaper than if they have to produce them themselves." ("Das Kapital," Chinese edition, Vol 3, p 256) Of course, when the monopolies of developed countries are the monopolizing sellers or buyers on the world market, unequal exchanges do occur. But when developing countries, trying to utilize external conditions, take part in international exchange in order to accelerate their own economic development, it may be temporarily at a disadvantage, but this is a necessary state of affairs. Lenin believed that "from the viewpoint of building socialism, even if we have to pay several hundred millions to foreign capitalists, it will be to our advantage if as a result we receive the machines and materials for rebuilding our large-scale industries. These machines and materials can enable us to restore a proletarian economic foundation, and turn the proletariat into a strong proletariat..." ("Tenth National Congress of the Russian Communist Party (Bolshevik)," "Complete Works of Lenin," Vol 32, p 403) It can thus be seen that opening to the world and promoting foreign economic and trade relations is favorable for the building of socialism.

## II. Strategic Importance of the Implementation of an Open-Door Policy

All countries in the world, big or small, have their strong and weak points economically. This is due in part to geographical conditions and natural endowments and in part to differences in the development of productive forces. Under closed-door conditions, very often a country's superior essential productive factors (such as land, manpower, capital and technology) are not fully utilized and so are left unused or wasted, while they cannot get the essential productive factors they lack. This will inevitably affect the scale and speed of the country's economic growth. China, for example, boasts of rich natural and human resources, but lacks advanced technology, knowledge, and capital for modern production. On one hand, under closed-door conditions, China was unable to develop its natural resources, to explore and recover its petroleum resources. On the other hand, China's abundant human resources were wasted, to the point of creating unemployment. Under open-door conditions, external conditions can be utilized through all forms of international trade and collaborative production. That is, we can make use of foreign capital, technology and management expertise to set up enterprises and infrastructure we are unable to do so alone. We can make use of advanced foreign technology to shorten the research and development cycle of new products. We can, through equal and mutually beneficial trade, expand export, increase foreign exchange earnings, create jobs, increase social products, and improve people's life. This will accelerate the modernization programs and help bring China out of economic backwardness and achieve prosperity.

Since World War II, some countries that suffered severe economic setbacks and some newly independent Third World countries promptly made use of

favorable postwar world economic conditions and developed their economy to become major economic powers. The People's Republic of China in its early days practiced a policy of "mutual help between town and country, interflow between China and foreign countries." This resulted in definite growth in trade and economic cooperation with the socialist countries, also in some trade with Western capitalist countries. Then an embargo was imposed against China, the Soviet Union perfidiously tore up contracts and withdrew their experts, and, more significantly, China itself followed an ultra-left line during the gang-of-four period. All this affected China's foreign economic and trade relations. Today, however, whether domestically or internationally, an excellent situation exists for China to develop economic cooperation, technological exchange, and trade with foreign countries. We must take prompt advantage of the situation. It is therefore extremely necessary and urgent for us to implement an open-door policy.

In recent years we have accumulated both positive and negative experiences in our external economic cooperation and trade. For example, the petrochemical enterprises built with foreign capital and technology at Jinshan, Liaoyang and Tianjin have increased domestic synthetic fibers to account for 40 percent of the country's textile products. This eased the traditional scramble for land between grain and cotton crops, paid off investment in a relatively short time, increased the products and the quantities of textile exports, and increased profit and taxes turned over to the state. In energy, China is utilizing foreign capital and technology to explore and extract its offshore petroleum resources, opening new ways to solve the energy problem. International collaboration is also being sought in coal mining. Small and medium-sized enterprises are developing international cooperative production in such forms as joint ventures, compensation trade, processing import materials, and assembling import components. The special economic zones in Guangdong and Fujian Provinces are successful in the main though some problems remain to be solved. It is understandable that we have made mistakes since we lack experience in international economic cooperation. We should draw lessons from the mistakes in order to improve our work, not to cite them as reasons of going back to closed-doorism.

The strategic importance of opening to the world lies in utilizing external conditions to promote rapid domestic economic growth, so that China's socialist production will continue to grow and improve. Through external economic cooperation, technical exchange, and trade to utilize other countries' strong points to make up for our weak points, we will be able optimally to satisfy society's constantly increasing material and cultural needs. Instead of weakening self-reliance, this effort will reinforce the material foundation of self-reliance. Opening to the world, therefore, is an important strategic decision that has a direct bearing on the future of the Chinese nation and on whether the socialist economy can be consolidated.

### III. Some Apprehensions and How To View Them

Below is a discussion on how to view the apprehensions expressed by some people.

(1) Will opening to the world cause China's economy to be controlled by foreign capitalists?

China had for a long time after the Opium War suffered aggression, oppression and exploitation by imperialism. The memories of these historical lessons are still fresh in our minds. It is, therefore, understandable that some of the cadres and masses are apprehensive about China opening to the outside world. A country's foreign policy is formulated in a given historical period under given internal and external conditions. Whether or not the policy is correct must be looked at against the given internal and external conditions and not be divorced from them. In studying whether China's opening up to the world policy will put China's economy under foreign capitalist control, we must first differentiate between the conditions of the past and the present. First, the world situation today is different from that of the past. Today along with the victories of national liberation movements the world over, close to a hundred colonies have won independence. The days are gone forever when imperialism can do as it pleases without impunity. The Third World people are uniting in the struggle against hegemony and have won initial successes. Although great resistance exists in the north-south dialogues, some positive results have been won. The developing countries are demanding the right to develop their own economy and are fighting to establish a new international economic order. In this new situation, the hegemonists' or even some of the developed countries' attempt to once again turn the Third World into colonies or semi-colonies through economic exploitation and oppression can only remain a dream. Second, the China of today is no longer the old China of the Qing Dynasty or the Kuomintang regime. The Chinese people have stood up. While China's economy is as yet underdeveloped, we are a major sovereign and independent socialist country. In the early 20th century, imperialism forced us to open our doors. Today we implement an open-door policy on our own initiative. The two are essentially different. The former was a move made under coercion for the benefit of other countries. The latter is a national policy the Chinese people are implementing for their own fundamental and long-term interests.

Of course we should see clearly that the essential nature of imperialism and the capitalists remains unchanged. Hegemonists today, like the imperialists of the past, always try to invade, oppress and control other countries. The multinational companies today try to obtain as much profit as they can through different forms of international cooperation and trade. We may be cheated and suffer losses if we make mistakes in our policy or work, if we do not know how to deal with them, if we do not study carefully the legal provisions in the contracts, if we are not clear about the rights and obligations of the two parties of a contract, if we know little or nothing about international economics and trade. Precisely because of this, Premier Zhao Ziyang points out that in order to implement an open-door policy and develop foreign economic relations and trade, we must train economists familiar with the international market and foreign economic and technical development. The problem we face, therefore, is not whether the foreign capitalists are trying to control us economically, but how we can rapidly train a large contingent of specialists in foreign economics and trade specialists so that



we will not suffer losses or be cheated in our dealings with foreign enterprises. This is a problem to be solved in earnest.

(2) Does implementing an open-door policy mean abandoning the policy of trade protection and causing difficulties for China's domestic industrial development?

Implementing a protectionist policy is to protect China's domestic industries from competition from foreign enterprises and products so that domestic industries can develop under protection. This has been one of our important foreign economic and trade policies since the founding of the People's Republic. Protectionist policy, however, does not conflict with an open-door policy. Active development of foreign economic and trade relations under an open-door policy is carried out under the prerequisite of trade protection. That is to say, all Chinese economic sectors and enterprises and their products that should be protected are still protected. China's socialist economic system facilitates the implementation of trade protection. This is because China not only has such measures as custom duties, import controls, foreign exchange controls and other foreign trade controls guaranteeing the trade protection policy, but its socialist economic planning and foreign trade planning themselves embody trade protection. We will not abandon the trade protection policy when implementing an open-door policy.

It should be pointed out, however, that we must have a correct understanding of trade protection. Some of our enterprises maintain a conservative attitude in their business operations, thinking that "the emperor's daughter need not worry about marriage." Some enterprise leaders do not try to think of ways to lower cost and improve product quality and economic results. They think that they will have no trouble finding buyers for their products, whether the products are good or bad, expensive or cheap. Today under an open-door policy, we should have a new understanding of trade protection. When some enterprises keep on turning out poor-quality products and overpricing them and do nothing about innovating technology, we need to import some products of the same type to provide comparison for the consumers. This "imported competition" promoted at our own initiative will have positive, not negative, effects on those enterprises that do nothing about innovating technology and improving management. It will lead to a faster improvement of product quality, rapidly reaching advanced world standards. There is no need to worry that opening up to the world will replace trade protection. In fact, it is necessary to import a small number of competitive products to encourage innovations in domestic enterprises.

(3) Will opening up to the world bring in the corrupt and decadent ideology of other countries and disrupt our socialist spiritual civilization?

Indeed if we relax our vigilance when opening up to the world, and allow smugglers to run rampant, it is entirely possible to have some cadres hit by "sugar-coated bullets" and commit crimes. Typical cases are already happening. We should not, however, "give up eating for fear of choking" and blame the criminal cases on an open-door policy. We should firmly

open up to the world but also firmly conduct education in the "four persists," patriotism and internationalism, and resolutely crack down on smuggling and black market selling. Whatever problem there is it can be solved.

In a word, our policy of opening to the world is an important strategic decision heralding the socialist modernization programs. It is formulated on the basis of positive and negative experiences at home and abroad. It is in keeping with both Marxism-Leninism and the fundamental interests of the Chinese people. It is taking as the foundation independence and self-reliance, using such means as active external economic cooperation, technological exchange, foreign capital, and foreign trade, to develop our strong points and overcome our weak points, and take advantage of the superior aspects of other countries and make them serve China's great goal of modernization. This is a viable policy. Firm implementation of this policy will help build up China's economic strength and place China in the front ranks of world powers politically, economically and technologically in a relatively short time.

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CSO: 4006/047

## FOREIGN TRADE

### PROCESSING IMPORTED MATERIALS IN FUJIAN DEVELOPING

Fuzhou FUJIAN RIBAO in Chinese 20 Aug 82 p 2

[Article by Chen Shoudi [7115 1343 0966]: "Fujian Province Develops Vigorously the Processing of Imported Materials"]

[Text] In recent years, our province has increased annually the import of materials for processing and re-export. In the first half of this year, the increase was greater than that of the same period last year. Facts have shown that the import of raw and auxiliary materials as well as parts and components which are of short supply at home for the production of goods in demand abroad is a fine way of doing one thing to gain many benefits. It can further link domestic production with foreign markets, stimulate our province's economy, increase income, gain more foreign exchange, increase employment, and raise the standard of living. It should be further developed vigorously.

Our province has favorable conditions in many fields for the growth of this business. First of all, the state encourages the development of the business of processing with imported materials. The central departments concerned have also reduced or exempted customs duties on raw and other materials as well as parts and components required for the processing of imported materials, and prescribed the limits of such imports for the protection and promotion of this business.

Next, at present our provincial and prefectural (municipal) authorities have controlled certain quotas of foreign exchange. The provincial authorities have made special provisions for the supply of foreign exchange to processing business, and also allotted special loans in Renminbi for the purchase of foreign exchange which must be paid for in Chinese currency, to provide the processing business with necessary funds.

Third, our rich labor resources provide a favorable condition for the processing business which requires concentrated labor forces. At present, some of our factories and enterprises are not in full operation, and the processing business can increase production and export.

Fourth, our province has carried on the processing business for many years, and has accumulated certain experience in such fields as the import of raw material and production and marketing plans.

Fifth, the processing business has extensive foreign markets. Many overseas Chinese from our province are pleased with native products. Our province is close to Hong Kong and Macao, and it is convenient to sell our export goods in Hong Kong and Macao or to transship our goods from there. These favorable conditions for foreign markets provide our processing business with practical possibilities for development.

In short, our province has many favorable conditions for the development of the processing business. We should utilize fully these favorable conditions to further develop the processing business.

The first question for us to solve is the coordination of the work of importing raw and other materials, production, marketing and transportation. The principal materials come from foreign countries, and all the products are for export. Therefore, from importing raw material to exporting products, we must link the sequence of work, particularly production, marketing and transportation. In our present foreign trade management system, in the business activities at various stages, there is a fairly serious phenomenon of each only looking after its own business. When one stage cannot keep pace, it will affect the normal procedure of the whole business activity. Therefore, to ensure the normal operation of the processing business, we must view the whole province as a chessboard, maintain a comprehensive balance, and make unified plans and arrangements of the work of processing. The whole province should give overall consideration to such problems as the investigation and study from foreign market conditions to domestic productive capacity, from the work of production to the supply of imported raw materials, the marketing of products and transportation, particularly the coordination and balance between the work of production and the work of marketing. Moreover, we must seek unity of action in all work pertaining to the processing of imported materials in order to break the passive state, disorganization and interference of the present system, so that we can develop the processing business more successfully.

The next step is to continuously raise the level of production technique and management. In foreign countries, it is very common to develop foreign trade by means of processing with imported materials for re-export. Therefore, the competition of these products is very keen on the international market. Under such circumstances, the key to the development of our processing business is to continuously renew the patterns and varieties of our products for the changing demand of the market, continuously reduce the cost of production, and make strict demands on the quality of products and the time of delivery. To fulfill these requirements, we must try by every possible means to raise the level of production technique and management.

One more problem we have to study and resolve is losses incurred in the export of products. After the introduction of new rates of foreign exchange for trade, the import of raw materials often incurs losses. As the operation of the processing business is of many links and great expenses, the cost of production of articles for export is fairly high. Losses are incurred in export; moreover, the losses are concentrated at the final unit which does export business. This issue has affected the normal development of the processing business, which should be solved promptly. The way is to

make an all-round consideration by taking our province as a whole, make a comprehensive calculation of the whole account on the losses from import and export, on the revenue from the processing business, on employment and the increase of income and so forth, weigh the economic benefits from the processing business, and financially give necessary support to the processing business in order to promote the development of this business.

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CSO: 4006/638

## FOREIGN TRADE

### DONGWAN COUNTY THRIVES IN PROCESSING WITH IMPORTED MATERIALS

Guangzhou NANFANG RIBAO in Chinese 26 Aug 82 p 1

[Article: "Dongwan Leads Whole Province in Processing Business"]

[Text] In the implementation of opening up to the outside, Dongwan County has vigorously developed businesses of processing with imported materials and patterns, assembling and fitting with imported parts and components, and compensation trade. Thus, the county has effectively promoted industrial and agricultural production, increased the people's income, and improved their living.

Dongwan County has developed the processing business and compensation trade most speedily in Guangdong Province. In more than 3 years, the county's urban areas and rural communes have signed some 1,300 agreements for the processing of imported materials, and imported more than 42,000 sets of equipment of various types. Last year, the county's income from processing reached more than 26 million U.S. dollars, and surpassed all counties in the province. From January to May of this year, the county further developed its processing business, and its income from processing reached more than 12 million U.S. dollars, showing an increase of 35.9 percent over that of the same period last year.

From the experience of this county, we can see that the development of processing business and compensation trade has the following 8 advantages:

1. It strengthens collective economy and promotes agricultural production. Many communes and production teams used their earnings from processing to buy equipment and fertilizer accelerating agricultural and industrial development.
2. It increases the income of commune members, and improves the people's living. In more than 2 years, the Changping commune in this county has earned from processing more than 6.6 million U.S. dollars, and increased on a large scale the distribution to the commune members. Last year, the average collective distribution per capita reached 530 yuan surpassing all communes in the county.

3. It earns foreign exchange for the state. This county started its business of foreign trade in 1957; however, up to 1980 its income from foreign trade amounted only to some 59 million U.S. dollars. In the past 3 years and more, after the introduction of the business of processing and compensation trade, the county has earned for the state more than 59 million U.S. dollars in foreign exchange, which is equal to the total amount of foreign exchange earned from foreign trade in the past 24 years.

4. It helps to readjust the industry, and has revived a number of "dying out" factories. In the course of the national economic readjustment, more than 90 factories and cooperatives in this county were "dying out" because they had no production assignments, or had too few assignments for normal operation. But after they started the business of processing and compensation trade, many enterprises have essentially gone into full operation, and changed from losing money to making profits.

5. It helps to strengthen weak links in industry. In the past, this county turned out only simple light industrial products. With the introduction of the business of processing and compensation trade in the last 2 years, such businesses as woolen and cotton textiles and leather making, which did not exist in the past, have grown up, increased the light industrial products, and filled the gaps in the original industrial departments.

6. It has imported new technology and equipment, and trained a technical force.

7. It has boosted employment. In more than 2 years, the county has given jobs to some 54,000 persons who were waiting for employment.

8. It has promoted social stability. The development of production has set people's minds at rest, so that social order has become better and better.

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## FOREIGN TRADE

### DEVELOPMENT OF GUANGDONG TOURIST INDUSTRY DESCRIBED

Guangzhou GUANGZHOU RIBAO in Chinese 20 Aug 82 p 1

[Article: "New Prospects for Our Province's Tourist Industry"]

[Text] New prospects have opened up for the tourist industry in this province since the Third Plenary Session of the 11th Party Central Committee: between 1978 and the middle of this year, the total number of tourists received by the entire tourism system has been 3.402 million. The number of tourists received has been increasing annually, reaching more than 461,900 in the first half of this year, which surpasses the total for all of 1978.

In the last few years the province has invested 558.77 million yuan in construction of guest houses, of which 82.3 percent utilized foreign resources. To date a total of 34 guest houses and tourist facilities have been built, are under construction, or have been authorized and are being planned. After construction is completed, they will provide beds for 20,390 tourists, 93 villas and 830 tents. In addition, the province's tourist system is adding a total of more than 2,400 tourist vehicles, most of them high-class tourist vehicles.

Construction in the main scenic areas in this province is also being upgraded, and new tourist attractions are being discovered and developed, gradually developing into seven provincewide scenic networks and lines, including the Conghua-Foshan-Zhaoqing-Xijiaoshan route centered on Guangzhou, the Zhuhai-Zhongshan route, the Shanzhen route, the Zhanjiang-Hainan route, the Huiyang-Boluo route, the Swatou route and the Yunguan-Renhua-Qjiang-Yingde route in northern Guangdong. The newly opened tourist spots include Lingxiao Rock in Yangchun and Yujinguan [Jade Crystal Palace] in Yingde.

The number of overseas Chinese, Hongkong-Amoy Chinese, Taiwanese, people of Chinese ancestry residing abroad and foreigners visiting the province has increased from year to year. Foreign tourists have come from 97 countries and areas including Japan, the United States, West Germany, England, France, Australia and Canada; the total foreign exchange income from tourism, supply and services was U.S. \$138.03 million. In the first half of this year, a total of U.S. \$87.91 million in foreign exchange has been created, an increase of 22.54 percent from the same period last year.

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## FOREIGN TRADE

### BRIEFS

FUJIAN EXPORTS GROW--In the first half-year, this province's foreign trade departments continued both to attack serious criminal activity in the economic sphere and to work on their functional responsibilities, so that good results were achieved in both procurement and export. During the period, foreign trade procurement provincewide fulfilled 51.5 percent of the procurement plan for the entire year, an increase of 7.4 percent from the same period last year. At a time when capitalist markets are depressed and prices are falling, the import-export companies strengthened foreign marketing and export activity, fulfilling 46.8 percent of the total annual export plan in the first half of the year, up 4.7 percent from the same period last year. Correcting for falling prices, the actual export volume has increased by about 9 percent. The procurement and export of local and livestock products, light industrial products and textiles all exceeded both halfway marks, and were all up to various degrees from the same period last year. [Text] [Fuzhou FUJIAN RIBAO in Chinese 17 Jul 82 p 1] 8480

CSO: 4006/592

## GENERAL

### RELIANCE ON PLANNED ECONOMY, USE OF MARKET REGULATION DISCUSSED

Guangzhou GUANGZHOU RIBAO in Chinese 18 Oct 82 p 5

[Article by Zhao Yuanhao [6392 0337 3185]: "An Elementary Discussion of the Principle of Relying Mainly on the Planned Economy and Supplementing it With Market Regulation"]

[Text] China is a socialist country and based on the foundation of public ownership of the means of production carrying out a planned economy is only natural.

Because a socialist economy was based on the overthrow of capitalist control, and also in criticizing the capital system, it was founded on the insurmountable contradictions between socializing production and private monopoly of the means of production. Planned economy came into being as the anti-thesis of the anarchic state of capitalist production. That is to say, only when a planned economy is practiced on the foundation of the public ownership of the means of production can the anarchic state of capitalist production be overcome and the cyclical economic crises, as well as the fear and panic they create, be overcome. This is the scientific conclusion reached by Marx in studying the laws of capitalist development and the course of history has completely proven its correctness.

However, due to the "Great Cultural Revolution" and the leftist errors which preceded it, we have not done things according to Marxist-Leninist principles, we have not correctly employed the laws of national economic planned proportional development and other socialist economic laws, thus the proportional relationships of the national economy are seriously out of balance, causing great harm to development of production and the people's standard of living. This is entirely created by human error. The principles of scientific socialism and the principles of Marxist-Leninist economics, however, are not in error. But some people have not seen this point clearly and think that Marxist economic theory is only suited to developed capitalist countries and is not suited to Third World countries such as China; there are also some who think that China is a country in which feudal economic influence is so ingrained and the small producer is so dominant that it is an illusion to try implementing a planned economy. Thus they draw the erroneous conclusion that China can only implement a commodity economy which is regulated automatically by the law of value and implementing a planned economy can bring disaster. Although

people who have reached this conclusion do not necessarily wish to abolish socialism and let capitalism return in China, if their viewpoint were implemented, objectively it would inescapably lead China astray in this direction.

The reason this viewpoint is erroneous is not only because they have forgotten the basic principles of Marxism: without a planned economy there is no socialism. At the same time they have also forgotten that during China's First Five-Year Plan, because we could do things by seeking truth from facts, in accordance with the laws of planned proportional development of the national economy and other socialist economic laws, the results of national economic planning were very good, very good economic benefits were gained and the speed of development was very high; they have also forgotten that from 1962 to 1965, after China carried out its "eight character policy" and rectified the national economy, economic development was good. These facts prove that socialist China, though a country which in the past was heavily influenced by feudalism and in which the small producer dominated, after realizing socialist transformation was able to implement a planned economy and could derive very good economic results. How could it be said that implementing a planned economy in China was an illusion or a disaster? This clearly is an extremely mistaken viewpoint.

At the 12th Congress of the Communist Party of China, Comrade Hu Yaobang pointed out in his report; "Planned production and circulation is the main body of China's national economy. At the same time it permits the production and circulation of some commodities not to be planned but to be regulated by the market, i.e., on the basis of the specific situation at different times, unified state planning defines a certain sphere in which the law of value is a spontaneous regulating function. This is a supplement to planned production and circulation and is subordinate and secondary, but it is also necessary and beneficial." The general spirit is that China should be mainly a planned economy with market regulation secondary.

Why should market regulation be secondary? The main reason is that the national economy cannot be all-encompassing rapidly, but the needs of the people's livelihoods is all encompassing. This is referred to as the limited nature of the scope of national planning and the unlimited nature of people's needs. If we had only national planning of limited scope and no market regulation as a supplement, the unlimited needs of the people could not be met. With market regulation, if we had some goods as a supplement, of course, it is very necessary and beneficial to satisfy the people's needs. This not only will not harm socialism, but will benefit socialism.

To implement the principle of state planning first and market regulation second, requires differential treatment in the planning system: i.e., to carry out directive-type planning over major commodities and enterprises which have a major influence on the national economy and the people's lives, that is, plans will have the force of law and must be completed: guidance-type plans can be carried out over secondary commodities and enterprises with the hope that they can be completed, but tolerating some voluntary adjustment of enterprise plans on the basis of the market situation; there are also some

miscellaneous commodities which can be regulated automatically by the law of value, i.e., what to produce and how much to produce can be freely decided by the enterprise.

Thus, as far as ownership is concerned, it is necessary to affirm the following: the mainstay of large and medium-sized state run enterprises play a guiding role; small sized enterprises and collectively owned enterprises down to small privately owned units will play a supplementary role. A variety of economic forms coexisting will let them flexibly develop their "supplementary" role. Being "supplementary" means to carry out productive and managerial activity within the scope of the leadership of the state run economy and state law and policy, to satisfy the needs of the masses of the people. It would be improper not to have this supplement. It should not be forgotten that people thought 1956 was a golden age. Production developed rapidly then, the proportional relationships were very well adjusted, economic results were very good, market supply could satisfy people's needs. Apart from the fact that national economic planning then conformed to objective economic laws, there was a small number of capitalist enterprises and individual businesses which, under the leadership of the state-run economy and under state management allowed the law of value to play a regulatory role and they "supplemented" the inadequacies of the state plan.

However, "permitting no planning of production and circulation of some goods to be regulated by the market" does not mean that these enterprises and the production of these goods should not be planned management within the enterprise and if this is the understanding, then it is mistaken. For an enterprise to be well managed and to improve economic results it must do a good job of planned management. Planned management is necessary whether it is a socialist owned enterprise or a state capitalist owned enterprise. The more modernized a foreign capitalist enterprise today, the more it demands a high degree of planning in enterprise management (all of a capitalist society cannot have detailed planning, but in each capitalist enterprise the demands of planning work are very meticulous). Therefore, from the angle of management, each enterprise should do its planning work well. Even if some goods are not within the scope of the state plan, either by accepting orders or through market regulation, after the enterprise decides what to produce and how much to produce, it should carry out planned management. Only with good planning can control and coordination be realized, can the enterprise's economic results be improved and at the same time the enterprise improve economic management, and can production be developed to satisfy the constantly growing needs of the masses of the people.

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## GENERAL

### DEVELOPMENT OF SHANDONG COMMUNE, BRIGADE ENTERPRISES CITED

Jinan DAZHONG RIBAO in Chinese 20 Aug 82 p 1

[Article: "This Province's Commune and Brigade Enterprises Develop Rapidly"]

[Text] Since the Third Plenary Session of the 11th Central Committee, commune and brigade enterprises in this province have developed rather rapidly, making a major contribution to the flourishing of the rural economy, the improvement of the peasants' standard of living, and the stimulation of agricultural production. As of the end of 1981 the total income of the province's commune and brigade enterprises had reached more than 6.56 billion yuan; the average annual increase over the past 3 years has been 7.6 percent. Profits have amounted to more than 1.78 billion yuan, with an average annual increase of 9.1 percent. In the first half of this year the total income of the province's commune and brigade enterprises was up 23.6 percent from the same period last year.

The development of the province's commune and brigade enterprises has been making increasingly evident contributions to the national economy. First, they have strongly stimulated agricultural production: between 1979 and 1981 the total amount of commune and brigade enterprise funds used for support to agriculture totaled 1.08 billion yuan, equivalent to the total outlays on agriculture by our province's financial departments, in addition to which they produced large amounts of medium and small-sized agricultural implements, chemical fertilizer, agricultural pesticides and the like, which directly aided agricultural production. Second, they have increased the revenues of the state financial organs: in the 3-year period the commune and brigade enterprises paid a total of 570 million yuan in taxes to the higher levels, 1.25 times the agricultural tax paid provincewide. Third, they have increased commune members' income: in the 3-year period of a total of 2.05 billion yuan was used by commune and brigade enterprises for distribution to the commune members and wage payments to employees. Fourth, they have produced certain amounts of gold, coal, cement, brick and tile, and export products, have filled some gaps in large-scale industrial production, have caused markets to flourish, have increased foreign exchange earnings, and have aided state construction. Fifth, they have stimulated the construction of rural small towns: in the 3-year period a total of more

than 210 million yuan in commune and brigade enterprises profits has been spent to build hospitals, cooperative clinics and nurseries, homes for the aged, libraries, theaters and the like, improving rural health conditions and enlivening cultural life. Sixth, they have provided employment for more than 3.5 million rural unemployed, making a great contribution to the further stability and unity and consolidating the excellent development situation.

In the past 3 years, our province's commune and brigade enterprises have carried out conscientious readjustment and reorganization work, have further rectified their production orientation, and have readjusted their product mix. According to statistics for the end of 1981, the relative share of light industry and textiles had increased from 45.5 percent in 1979 to a figure of 52.5 percent; the share of the mechanical industry had decreased from 45.1 percent in 1979 to 28.9 percent; and the share of processing industries using agricultural sideline products as starting materials had risen from 15.4 percent in 1979 to 22.2 percent. The proportion of products directly serving the people's livelihood and production has increased considerably. Readjustment and reorganization have strongly promoted the development of commune and brigade enterprises, have improved the rural economic structure, have increased commodity production, and have expanded increased peasant income.

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## GENERAL

### ECONOMIC, TECHNICAL COOPERATION BY GUANGDONG URGED

Guangzhou YANGCHENG WANBAO in Chinese 28 Jul 82 p 4

[Article by Nie Zhouong [5119 0719 2837]: "Expand Economic and Technical Cooperation and Strive To Develop Guangdong's Economy"]

[Text] Economic and technical cooperation means intensified ties, mutual assistance and common progress in trade, economic activity, banking and loans, and science and technology.

The pursuit of economic and technical cooperation stems from the requirements of large-scale socialized production and proportionate development of the national economy. Socialization of production, and especially division of labor and specialization, inevitably bind the various sectors of the national economy, units and localities closely together and produce far-reaching economic relationships between the domestic economy and foreign economies. At the same time, the development of the national economy objectively requires that certain proportionalities be maintained among the various sectors. But because of various factors, no organization, area or country can produce everything which it needs. In the process of social reproduction, because of natural conditions, production capabilities and limitations in technical level, some social products may temporarily be in short supply and will need to be supplemented, while others will be relatively abundantly supplied and will need to be transferred; mutual economic and technical exchange, the mutual exchange of needed products, and the adjustment of surpluses and scarcities are helpful in making timely adjustment of imbalances between the various parts so that the entire national economy can develop in good adjustment. In addition, the pursuit of economic and technical cooperation is also promoting the development of science and technology and improving economic performance.

The economy of Guangdong is a part of the national socialist economic whole and it must engage in economic and technical cooperation with other provinces, municipalities and regions, and even other countries. Guangdong's economic structure and resource structure dictate that it pursue economic and technical cooperation with other areas. In terms of sectors, the economic structure of Guangdong involves a relatively large relative share for light industry and a relatively small share for heavy industry, with a

rather weak heavy industrial base. In terms of the ownership system, state-run enterprises have a relatively small relative share, while municipal collective and rural commune enterprises are relatively well-developed and occupy a relatively large share. In terms of natural conditions, other than a very few production and livelihood needs, developed resources are by and large insufficient or completely lacking particularly important fuels and raw materials such as coal. This dictates the weakness of Guangdong's basic industrial technology, the shortage of raw and other materials in the production process, the low level of commodity sales included in the state's direct plan, and the insufficiency of the natural resources which are needed to accelerate development of the economy. The solution to all of these problems can be sought only in developing economic and technical cooperation.

Guangdong not only needs to develop economic and technical cooperation with other areas, but in addition it has the prerequisites to do so. First, in recent years the province's economy has developed rather rapidly. National income has increased, foreign trade has developed, there are relatively adequate amounts of domestic and foreign-exchange funds, and production technology, particularly in light industry, is rather advanced. Second, Guangdong is at the southern gateway to our country, it has the geographical advantage of closeness to Hong Kong and Amoy, conditions are favorable for communications and transport, and its commodity economy is well developed. Even more important, the Central Committee's "special policy and flexible measures" with respect to Guangdong have meant that while continuing to adhere to the principle of making overall national planning and the planned economy the primary factor and market regulation a secondary factor, Guangdong has obtained a fair amount of autonomy in production, circulation, distribution and exchange. These circumstances have all provided extremely favorable conditions for developing economic and technical cooperation and developing Guangdong's economy.

With regard to our province's current situation, we have absorbed the lessons from past economic and technical cooperation, and in our future development of economic and technical cooperation we must focus on the problems listed below.

First, while adhering to the principle of making overall national planning and the planned economy the primary factor and market regulation a secondary factor, in combination with the principle of unity in foreign dealings, we must carry out both effective economic and technical cooperation within the country (including inside the province and with other provinces, municipalities and regions), and effective economic and technical cooperation abroad (including Hong Kong and Amoy), pursuing the two even-handedly and striving to utilize the two types of resources (domestic and foreign), the two markets (domestic and foreign), and the two sets of capabilities (managing the domestic economy and developing foreign economic exchange) so that Guangdong's economy, which has already been vitalized, will develop even further.



Second, there must be a multiplicity of forms. While carrying out effective commodity trade cooperation, a low-level form, we must also achieve effective high-level cooperation in such areas as technology, sets of equipment, funds and the like, pursuing both low-level and high-level forms, and making the changeover from the low level to the high level. Only in this way can we fundamentally raise our province's economic and technical level so as to create the conditions for further comprehensive cooperation. Previously, we carried on significant cooperation only in the low-level form of commodity trade in the circulation sphere, while in the future the focus must be on effective high-level cooperation.

Third, the scope of cooperation must be increased. We must achieve effective cooperation both in the industrial production departments and in the agricultural departments. At our current production and consumption levels, carrying out these two types of cooperation effectively will essentially guarantee coordination of the two major subdivisions of the social reproduction process. In addition, we need to carry on effective cooperation both in the circulation fields of commerce and foreign trade and in the production area. In general, the circulation departments merely play the role of middleman in circulating the social commodities produced in the production sphere (including the means of production and means of subsistence) to the consumer sphere for consumption (including production consumption and livelihood production). It is true that success in this type of cooperation improves the flow of commodities, but it will not do to concentrate solely on this aspect; we must also institute effective cooperation in the production sphere, which directly creates social commodities, if we are to have commodities to circulate. In addition, we need not only cooperation in production technology, but also cooperation in management techniques. If there is a deficiency in either of these two aspects, neither of them is likely to give the proper economic results; only by combining advanced production technology with the associated management techniques can we bring about large improvements in economic effectiveness, and rapid economic development. Although none of the above types of cooperation was adequately pursued in the past, in relative terms overall cooperation in agricultural production was inferior to that in industrial production, cooperation in the production sphere was inferior to cooperation in the circulation sphere, and cooperation in economic management was inferior to cooperation in the production technology area. In the future, all of these aspects must be strengthened with practicable measures so that they will all support each other and will all benefit.

Fourth, we must coordinate the long-term and short-term aspects. We need both effective short-term cooperation and effective long-term cooperation. Short-term cooperation can be used to solve crises in the production process, while long-term cooperation can provide a reliable guarantee that relatively long-term problems in the production process will be solved; neither of the two aspects may be neglected. In view of the fact that the production figures for our province which are being entered in the state plan are comparatively low, long-term cooperation is more important in the long run. Our past cooperation has mostly been of a short-term type; in the future, under the guidance of the state plan, we must carry on

more long-term cooperation to assure smooth functioning of the production process.

Fifth, we must strengthen our leadership of economic and technical cooperation, put the mechanism for economic and technical cooperation in good working order, and improve the functional qualifications of the persons involved in it. We must thoroughly rectify the previous situation in which there was no unified leadership or specialized organization for economic cooperation and the personnel involved were not well qualified, so that we can meet the need for comprehensive, constant economic and technical cooperation. At present there is only limited understanding of our province's situation outside the province, there are blockages in some normal channels of cooperation, and we must effectively change the timid attitude of some cadres and supply and marketing personnel and support and encourage them in their work so as to open all possible channels for cooperation.

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CSO: 4006/592

## GENERAL

### GUANGDONG PROVINCE REORGANIZES FINANCIAL, TRADE SETUPS

Guangzhou NANFANG RIBAO in Chinese 13 Oct 82 p 1

[Article: "Guangdong Party Committee and People's Government Decide To Reorganize Financial and Trade Enterprises"]

[Text] A decision was recently made by the Party Committee and People's Government of Guangdong Province to reorganize in a systematic manner all the financial and trade enterprises, in order to correct the direction of business management, improve administration and management achieve higher economic benefits, raise the level of financial and trade operations in our province to a higher plane and to make further contributions to the new projects of socialist modernization construction on an overall basis.

Since the Third Plenary Session of the 11th Party Central Committee, the financial and trade departments of our province have done a great deal of work and have achieved good results in lending their support to production, expanding commodity circulation, enlivening the market in the cities and villages, promoting industrial and agricultural production, and providing services to improve the livelihood of the people. They also have achieved definite results in reforming the system of financial and trade administration, enlarging the autonomous powers of the enterprises, adopting the management responsibility system on a trial basis, and achieving higher economic benefits. However, many problems continue to plague the financial and trade enterprises. The party committee and the government of the province, in order to enable the financial and trade enterprises to better implement and enforce the party's lines, principles and policies, to further improve the level of administration and management, to render better services to promote industrial and agricultural production and to improve the livelihood of the people, made on 4 October certain decisions regarding the reorganization of financial and trade enterprises.

The decisions stated that the reorganization of financial and trade enterprises must be centered around correcting the direction of business management, improving administration and management, and increasing economic benefits by stages and in groups according to a proper plan and procedure in a sound and comprehensive manner. At present, aside from the need to deal with the basic problem of acquiring a truly correct understanding of and correcting the direction of business management as a guide to our action, it is also necessary to find a solution to the problem of improving administration and management and increasing economic benefits. First, it is necessary to

improve upon and perfect the management responsibility system. We must make clear the economic responsibility of the enterprises to the state, to ensure that the enterprises completely fulfill the various plans set by the state. We must specify the responsibility of the enterprises and their workers to the consumer, to improve the poor attitude of service at present, and put an end to practices inimical to the interests of the public. Consideration should be given to the interests of the state, the enterprises and workers. The enterprises should reduce losses and increase profits, first consideration should be given to ensure the benefits accruing to the state at the same time, the interests of the enterprises and their workers should be taken into account. Second, improvement must be made in labor organization and labor discipline to increase labor efficiency. A limit must be set for the number of workers, and labor must be organized and deployed to eliminate the overstaffing of organizations, the employment of more workers than is necessary, and the unequal distribution of workloads. It is necessary to put the right workers in the right positions to make the best possible use of men. Third, it is necessary to strengthen financial and trade discipline, and perfect the finance and accounting system. We must put an end to the practice of boosting the cost and incurring expenditures indiscriminately, of evading taxes, of holding back profits, of obtaining cash for services not rendered, of extending loans without consideration of their merits, of paying bonuses without just cause and of violating financial and economic discipline. It is absolutely necessary to put in order, to establish and to perfect the finance and accounting system, to strengthen the control of cash, to exercise control of and supervision over credit funds, to tighten up financial and procedures, and to stop up the loopholes. Fourth, it is necessary to consolidate and to establish a leadership corps in the financial and trade enterprises. After we correct and overcome weaknesses, disorganization, ageism, procrastination, bureaucratic practices, and unhealthy party tendencies young and middle-aged cadres who are politically outstanding, correct in their workstyle, conversant with the technical aspects of their operations, and possessed of ability as well as integrity, should be assigned leadership positions.

According to the decisions, the financial and trade enterprises, following their reorganization, are required to meet the following conditions: The establishment of a capable and energetic corps of leaders in the prime of life who have a good knowledge of their business and who are capable of implementing in a resolute manner the programs, principles and policies of the 12th CPC National Congress, achieving and overachieving the various goals set by the state and standing united in waging the struggle. The establishment and perfection of the responsibility system for managers (factory directors and heads of departments) under the leadership of the party committees and the system of workers' congresses under the leadership of party committees and the establishment of a corps of cadres and workers who are both red and expert. Setting a correct direction for operations and a more perfect management responsibility system, controlling production by a system of norms, setting up a sound finance and accounting system, showing a proper attitude in rendering services, achieving the various basic economic quotas and exceeding the highest level achieved in history by their enterprises. In dealing with

the question of profits accruing to the state, the enterprises and workers, we should make sure that a large share of the profits should go to the state and that there should also be a corresponding improvement in the collective welfare of the workers and in their material and cultural life.

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